

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

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Methodological guidelines
for independent work
on the subject

**LABOR ECONOMICS
AND LABOR RELATIONS**

*(for 3-year full-time students and 3-4-year part-time students
direction of studies 6.030504 "Business Economics")*

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INTRODUCTION

The course "Labor Economics and Labor Relations" is build on the objective laws and mechanisms of a market economy, it included achieving of foreign theory and practice in the area of labor relations, the experience, which is gained by domestic enterprises, and also features of a market economy in Ukraine.

Students are offered substantial material on wage formation, tariff system functioning, the use of different forms and systems of wages. Theoretical research and practical materials on the interconnection of employment indicators, their specifications and calculations of quantity, productivity and wage-fund are the key components of the course. Along with the materials, the measures in the domain of labor economics of foreign countries, such as the regulation of social and labor relations are presented.

After studying of the discipline students must:

a) *know*: the theoretical foundations of labor economics in terms of countries, industries and individual enterprises (organizations); requirements for the formation and use of labor resources, training, retraining, the main issues of employment and the labor market in the transition to market relations; the organization of wage payment, setting optimal wage payment; requirements for to fund wage enterprises (organizations) and to ensure their effective use, the general concept of living and social protection of workers in a market economy;

b) *be able to*: determine productivity, calculate reserves of productivity growth in a company (organization), plan and calculate the complexity of products, number of employees, specialists and their additional need at an enterprise (organization), to determine employees' wages in different forms and systems of remuneration; generate remuneration payment funds at enterprises and ensure their efficient use, to identify and use of growth reserves in labor productivity, efficient employees' use and wage regulation; identify and use best practices of ensuring productivity growth and progressive methods of wage organization in the country and abroad;

c) *be aware of*: labor market, employment, unemployment, and general principles of social welfare of the population in market conditions, labor as the basis of society development and the most important factor of production, the condition and development of human resources in the country, modern trends in their efficient use, labor management system, the basic elements of their relations and development in the market economy, international experience of regulating social and labor relations.

THEME 1. OBJECT, SUBJECT AND TASKS OF THE COURSE

1.3 Basic concepts and categories of labor economics

Serious issues existing in Ukraine's economy now are primarily related to the underestimation of the social dimension of development and humiliation of the role of social and labor relations. These are the reasons of such massive negative and explosive phenomena in social terms, namely, the delay in the payment of wages, pensions, grants, reduction of the level of life of the largest share of the population of the country, the polarization of their income, unemployment growth, mortality increase, birth reduction, etc.

Labor Economics is not only a broadly used notion. It is a subject of scientific study, educational disciplines, specialists; practical activity, scientists, civil and social organizations (ministries and labor committees, employment, trade unions, etc.)

The subject of our study is economics and labor. Without them such a phenomenon as "labor economics" would not exist.

Labor is a process of conscious and purposeful human activity by which they alter the nature of things and adapt them to meet their needs. The process of work includes three main points: the purposeful activity of an individual, i.e. work itself, the subject that the work is directed at, means of work, by which a person influences the subject of work. But the main condition of labor activity is the availability of labor force. With certain relativity (in the narrow sense) economics of labor force can be considered as basis of labor economics.

Labor Economics is a dynamic socially-organized system in which the process of labor force reproduction (education, training, employees' further training, etc.), distribution, exchange take place, as well as the conditions and process of interaction between employees, means and subjects of labor are provided.

The production process (formation) of labor force (ability to work), i.e. training an employee to work starts at school, continues in universities, colleges, at workplaces, further training institutions, internships, etc. The process of distribution and exchange of labor usually takes place on the labor market first with the participation of three subjects of social partnership institution - employers, employees and the state, and secondly, directly at an enterprise (these are recruitment, rotation of employees, dismissal, etc.). Consumption (use) of the workforce is accomplished directly at the workplace, during the work and production of a particular socially useful product or service. To start a working career for an employee, relevant conditions must be prepared: to provide with a workplace, organize work and its safety, incentives, social security, etc.

Economics of labor as a science studies socio-economic relations that are developed in the process of production, distribution, exchange and consumption of labor, provision with conditions for productive work and its safety.

Thus, one of the most important criteria of the social market economy is a priority of social protection, social justice over economic efficiency, which is ensured

for the sake of social peace in the society and provided with state regulation of the economy.

1.2 Work as a subject of studies and improvement

Labor plays a crucial role in human life and the society, creation of the national wealth, scientific, technological and social progress. There are many definitions of labor.

The initial methodological prerequisite of studying social labor is examination of the labor process as an interaction of two parties: organizational and technical (material) and socio-economic.

More detailed structure of modern social work in the market economy can be presented by the following elements:

1. *Material elements of production.* They are the results of industrial and postindustrial society. Material elements of real production items include labor means and tools that are in private, corporate and public property.

2. *Individual items of production, productive forces (human factor)* are, first of all, knowledge, experience and skills. They are also the results of historical development in which the division of labor plays an important role. According to the latest, individual elements of production are divided into mental and physical labor, organizational (administrative) and executive work.

3. *The purpose of labor.* It follows from the essence of labor. The purpose of labor varies actually with manufacturers and owners of the means of production, entrepreneurs. The first are the carriers of short-term goals – fulfillment of specific types of work and obtaining rewards in the form of wages.

4. *The link between material and individual items.* The latest are preconditioned by their owners, among which the relations of appropriation, distribution and exchange are formed. Incentives for certain services are the needs, interests and stimuli of subjects of these relations. Specific forms of the relations between employees and owners of material elements, entrepreneurs are wages and profit.

5. *Methods of labor organization.* They depend on the purpose of manufacturing, method of connecting material and individual items, the division of labor and competition. Instead of the chaotic division and competition in the scale of the capitalist society in the 16-19th centuries, the role of the government regulation of the economy (indicative planning, programming) and a clear scientific, planned organization of labor within enterprises greatly increased in the second half of the 20th century.

6. *Attitude to labor.* On the one hand, labor is not mandatory. On the other hand, labor has been and remains the main source of income and livelihood for some people.

Thus, the structure of social labor is a slice of consciousness in a specific period of time.

A more dynamic structure of productive forces determines execution of certain functions by public labor.

Functions of social labor. Functions of social labor expresses its content changes over time depending on the level of development of productive forces. The following functions can be identified:

1. Work as a way of life, a way and measure of satisfaction of human needs.
2. Work as a basis for existence of the society, a source of material wealth, a factor of social progress.
3. Work as a factor of development of an individual, a sphere of a self-realization of an individual.

Structure and function of social labor are concepts that characterize some general properties of labor as an eternal condition of life. More specific idea of labor, especially labor as an individual activity, is imbedded in such notions as "types of labor", "labor content".

1.3 Types of labor

The scheme of classification labor types is shown on Fig. 1.1.

Herewith, there are four groups of features that distinguish a particular kind of labor, subject and product of labor, means and methods of labor, labor conditions. The classification of types of labor by its nature and content is considered in two aspects-social and structural.

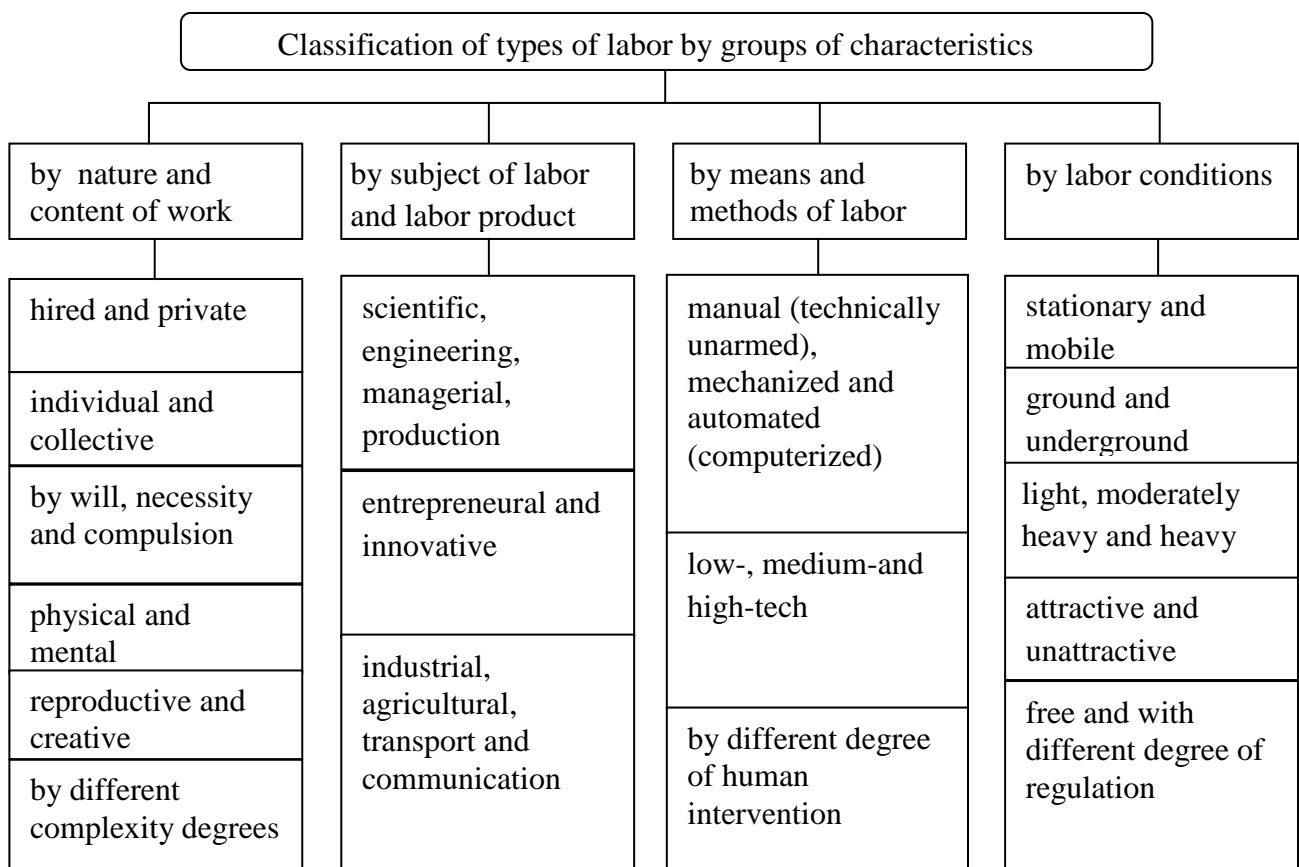


Fig. 1.1 – Classification of types of labor by groups of characteristics

The social character of labor is substantiated by a form of ownership of production means. By this feature, private labor (owner's labor or tenant) and hired labor are distinguished. In a certain sense, the social character of labor is reflected in the identification of its two organizational forms, namely, individual and collective labor. Besides, the social character of labor is imbedded in the formation of ways of its motivation (desire, cognitive need, compulsion).

The structural nature of labor is formed by the influence of the features of labor content in terms of two major parameters - the level of intellectualization and qualification complexity of labor functions. The level of intellectualization of the labor function varies depending on the share of the elements that it contains, mental and physical labor, as well as the share of creative and reproductive (uncreative) labor. The level of qualification complicity of the labor function is defined by its limits and structure: the composition and number of components, their diversity, novelty, and terms of performance. Evaluation of this feature regarding this or that employee is accomplished according to his/her rank in the adopted tariff system. Thus, the nature and content of labor, as classification features are organically interdependent.

The comprehensive characteristics of labor for each employee and staff should serve as a necessary basis for assessment of its compliance with the requirements arising from the objectives of work in solving economic and social issues of an enterprise or an individual.

Questions for knowledge control:

1. How would you describe the role of labor in human life, what factors is it substantiated with? How do you evaluate the role of labor in the modern society?
2. What elements of labor process do you know? What is the role of each of them in the implementation of the process and how does an individual interact with them?
3. Classify the types of labor by groups of characteristics.
4. By which features can you classify all the variety of the types of labor? Which of them are undesirable for an individual?
5. What is essence of the state policy in the sphere of labor? What is its purpose and major trends in the market economy?

THEME 2. LABOR RESOURCES AND LABOR POTENTIAL OF THE SOCIETY

2.1 Labor resources as a socio-economic category

Human resources are specific and the most important of all the kinds of economic resources. As a factor of economic development human resources are employees who have certain skills and knowledge and can use them in the labor process. Studying human resources is of great importance for evaluating labor market

and development of the corresponding demographic policy to influence the processes of the population reproduction and its employment.

Labor resources are a part of the population of a country that can make material benefits or services due to the physiological and intellectual qualities.

Labor resources are not a single concept that expresses human resources. There are others. In countries with developed market economy the concept of "*economically active population*" has been adopted lately. According to the international standards it includes employed population and unemployed job seekers. The notion "*civil economically active population*" is also very common, but it does not include military personnel.

2.2 Reproduction of the population and resources for labor

Reproduction of the population is historically, socially and economically substantiated process of constant and continuous renovation of human generations. In the processes of population reproduction types of motion, kinds and modes are distinguished.

Types of motion (natural, migration, social, economic) are determined by characteristics of changing the number and composition of the population in the country on the whole as well as in specific regions.

Natural motion of the population is the result of birth and death of people. Depending on predominating processes, the natural growth or natural population decline take place.

The quantity and composition of the population change as a result of migration processes (mechanical spatial displacement of the population). Such movements are caused by different serious reasons (political, economic, religious, etc.). There is external migration, associated with changing the country of residence (emigration is the travel outside a country, immigration is coming from other countries) and internal that reflects the change of people's place of residence within the same country.

Social population movement is imbedded in the change of educational, professional, national and other structures of the population. Each new generation of people differs from the previous one by the level of education and culture, professional and qualification structure, employment structure, gender and age composition and many other characteristics.

Particular attention should be paid to the economic motion of the population that is connected with the change of its labor activity. The results of this motion are due to economic factors: people start or stop their labor activity that leads to the corresponding increase or decrease of resources for labor.

Reproduction of resources for labor is a process of constant and continuous renovation of quantitative and qualitative characteristics of the economically active population. Due to the fact that resources for labor are a part of the population, reproduction of the resources for labor reflects the condition and character of the population reproduction as a part of the whole. Dynamics of the population determines the dynamics of the economically active population, but this dependence is not simple.

2.3 Use of labor resources, labor potential of the society

By use we understand two directions that characterize labor resources as one of the resources of economy. First, these are the division of labor resources and second, the efficiency of their labor in the national economy.

First of all, let us determine the distribution of labor which is known in statistical practice and literature as "division of labor resources by type of employment", i.e. divided into working part in the economy (or employed) and not working that in its turn is divided into students (working age), individuals engaged in housekeeping, serving in the armed forces, unemployed, and also nowhere employed who do not study or look for a job).

As the labor potential includes all citizens who are able to participate in social production as a result of their physical abilities, existing knowledge and professional and qualification skills at normal level of labor intensification, all the groups of employees should be included based on their characteristic features.

Thus, based on the foregoing, one can mention that labor potential of an individual is a part of his/her potential as a personality - it is a part of the human potential that is formed based on the natural data (abilities), education, upbringing and life experience.

Questions for knowledge control:

1. What are the specifics of labor resources compared to other factors of economic development?
2. What is the "reproduction of the population" and what types of the population motion is it characterized by?
3. Describe the impact of the factors of natural, migration and economic motion on the dynamics of economically active population of Ukraine.
4. What does the concept of the use of human resources mean?
5. What characteristics of the working population do you know?
6. What is labor potential? What are its components?

THEME 3. SOCIAL AND LABOR RELATIONS AS A SYSTEM

3.1 General characteristics of social and labor relations

Social and labor relations is objectively existing interdependence and interaction of subjects of these relations in the process of labor aimed at regulating the quality of working life.

At the same time, social and labor relations are definitely subjective as they reflect subjectively defined intentions and actions of the participants of these relations due to their mutual dependence.

Social and labor relations (as a system) have two forms of existence. The first is the actual social and labor relations that function at the objective and subjective levels.

The second is the social and labor relations that reflect the projection of social and labor relations at the institutional, legislative, norm setting level.

In the system of social and labor relations the following structural components are distinguished:

- subjects and levels of social and labor relations;
- objects of social and labor relations and their structure;
- principles and types of social and labor relations.

The basis of group and individual differences are the age, sex, stamina, level of education, professional, positional, industrial affiliation that define important aspects in the labor behavior of a hired employee. For Ukraine, a specially important factor of forming a model of labor behavior of hired employees is their territorial placing.

3.2 Types of social and labor relations

Social and labor relations are classified by types depending on their regulation, problem-solving methods. A type of social and labor relations is determined by their nature, namely, how the decisions are made on social and labor issues. Principles of equality or inequality of rights and opportunities of social and labor relations play the basic role in shaping the types of social and labor relations. A specific type of social and labor relations and other principles that determine it depend on how these basic principles are combined. In this case, the basis of social and labor relations is the principles of solidarity and subsidiarity, relations built on the principle "subordination-planning-subordination"), equal partnership, conflict cooperation, conflict competition, discrimination.

The main characteristics and interrelations of the above mentioned types of social and labor relations are:

Solidarity: the principle of solidarity is an ideal generated by mankind in the process of its social and economic development; -it admits mutual responsibility of people based on individual responsibility and harmony, unity and common interests.

Paternalism. The main role of the state in social and labor relations or factually its total regulation forms a type of social and labor relations that is called state paternalism. Paternalism can also be formed at the level of an enterprise (organization) on the basis of solid regulation of social and labor relations.

Subsidiarity. The principle of subsidiarity is thus aimed at preserving human desire of self-responsibility and self-realization and is intended to prevent the transfer of responsibility to society.

Partnership. In developed countries with social market economy orientation the predominant type of industrial relations is partnership.

Conflict. The conflict in general is clash of subjects of interaction caused by opposite directions of goals and interests or positions and opinions.

Conflict (conflict situation) as a type of social and labor relations is the limit case of aggravation of contradictions in labor relations.

Labor conflict is a kind of social conflict. The causes of labor conflicts can be circumstances related to technical and technological parameters of production, as well as economic, administrative, managerial, social and psychological aspects of activities of an organization. Labor conflict can have different manifestations: silent discontent, open discontent, strife, strike, labor dispute, etc.

Discrimination. Discrimination is free, unreasonable restriction of anybody's rights and opportunities. Discrimination as a type of social and labor relations is an arbitrary restriction of rights of the subjects of these relations that seizes their access

to equal opportunities in the labor market. Discrimination may be subject to different categories of employees. Discrimination varies by gender, ethnicity, race, age, etc.

Discrimination in hiring (dismissal from work) occurs when under equal conditions this or the other group of people are hired as the latest and dismissed as the first., as a result: unemployment in these groups of the populations is higher.

Discrimination in choosing a career or promotion occurs when a certain group of the population is prohibited or limited in accessing certain activities, professions, positions despite the fact that these people are able to do such work.

Discrimination in pay occurs in case of paying lower wages to some employees compared with others though they perform the same work, i.e. when the difference in work pay is not related to differences in the efficiency of labor.

Discrimination in obtaining training can be expressed in limiting access to receive training or to be provided with educational services of lower quality.

3.3 Factors of formation and development factors of social and labor relations

The process of formation of social and labor relations in the society is influenced by a huge number of factors which significance is defined by historical, economic, socio-cultural and political context. The main factors can include features of social policy, globalization of economy, development of social work and production. The general scheme of formation of factors and development of industrial relations is shown on fig. 3.1.

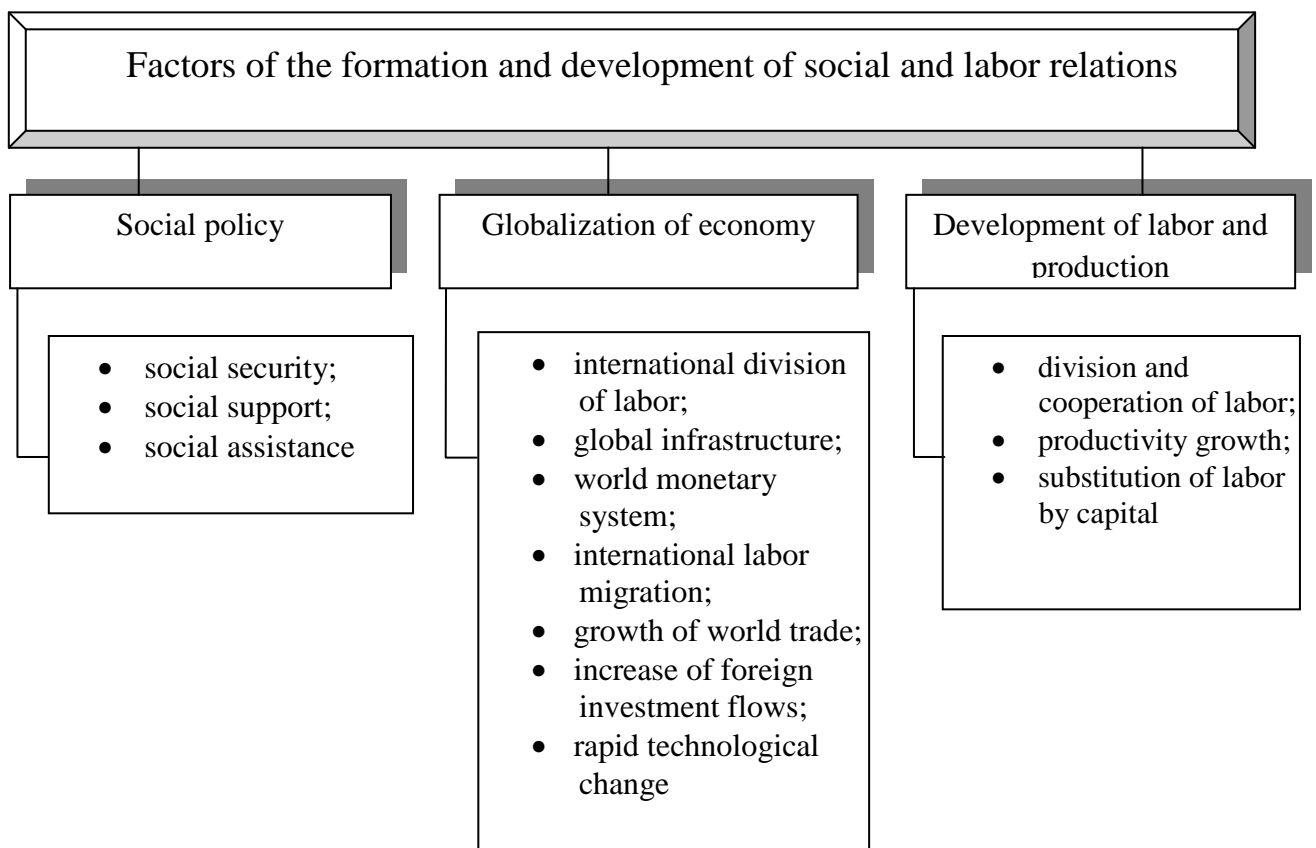


Fig. 3.1 – Factors of formation and development of social and labor relations

However, in the process of formation of social and labor relations at enterprises of any type and organizational form there is a certain unity as social and labor relations always depends on common factors.

3.4 The mechanism of functioning of the system of social and-economic relations

Quality of social and labor relations

The above mentioned material gives rise to the following judgment: assessment of the condition and degree of development of social and labor relations is not possible when using one or two or even several indexes. This task is of high complexity. This understanding has led experts to the issue of finding the system measures for assessment and finally to the conclusion that it is appropriate to use indexes of quality of working life as a criterion of development of social and labor relations.

Quality of life is a synthetic characteristic of level and conditions of life that also includes family composition, health status of its members, their social satisfaction, etc.

The above mentioned system of indexes covers nine major aspects of human livelihood:

- health,
- employment
- quality of working life
- leisure and recreation,
- the state of consumer goods market,
- environment
- personal safety,
- social opportunities and social activity.

Questions for knowledge control:

1. What is the essence of social and labor relations?
2. Describe the main types of social and labor relations.
3. Describe the subjects of social and labor relations.
4. Dwell on the basic principles of social and labor relations.
5. Dwell on the main trends of forming a new system of social and labor relations.
6. Dwell on the history of formation of the concept of social protection.
7. What areas does social protection cover?
8. What is the main purpose of social security?

THEME 4. SOCIAL PARTNERSHIP

4.1 Content, principles and organization of social partnership

Social partnership is such a system of relations between employers and employees, such a type of interaction in which coordination of critical social and labor interests is provided in the social world.

At the territorial level special deals are made, and at the enterprise level, in institutions and organizations labor contracts are concluded.

The essence of these issues is that there is a labor market where there is a seller and a buyer. They must negotiate the price and terms of sale of the workforce on their own, i.e. the ability to work and opportunities of the individual. But this "auction" should be undertaken within certain limits, in a civilized way, by rules and regulations that protect the interests of both parties, that is based on partner relations. What is it – is it a tribute to the tradition of the market economy or objective requirements arising from the new role of actors in the labor market - employers, unions and the government, and new relations based on tripartism that are developed between them?

Trypartizm is a system of tripartite representation. Definitely one can say that the operation of the system of social partnership based on tripartism is the result of objective requirements and prerequisites for the functioning and development of any mechanism of production management.

With the development of decentralization in management, transfer of the responsibility of resolving most issues governing social and labor relations onto staff, in terms of the empowerment of republics, territories, regions, other regions and cities, there appeared objective conditions and prerequisites for the development and by form in fact, the whole mechanism of social partnership at all levels of development and decision-making.

The basis of civilized relations that are currently developed between partners should be the guidelines developed by the International Labor Organization (ILO).

Principles and organization of social partners

Principles of social partners are formed and approved based on local practice, traditions and historical, as well as international experience and the principles set out by the International Labor Organization while addressing the issues of labor.

Along with the general principles of the ILO, which is the basis of ideology of the whole system of social partnership one can define a number of specific principles of organization of partners' cooperation while carrying out certain types of work including collective bargaining, concluding labor contracts and agreements for mutual consultation and monitoring, and dealing with collective disputes. These principles are set out in Fig. 4.1.

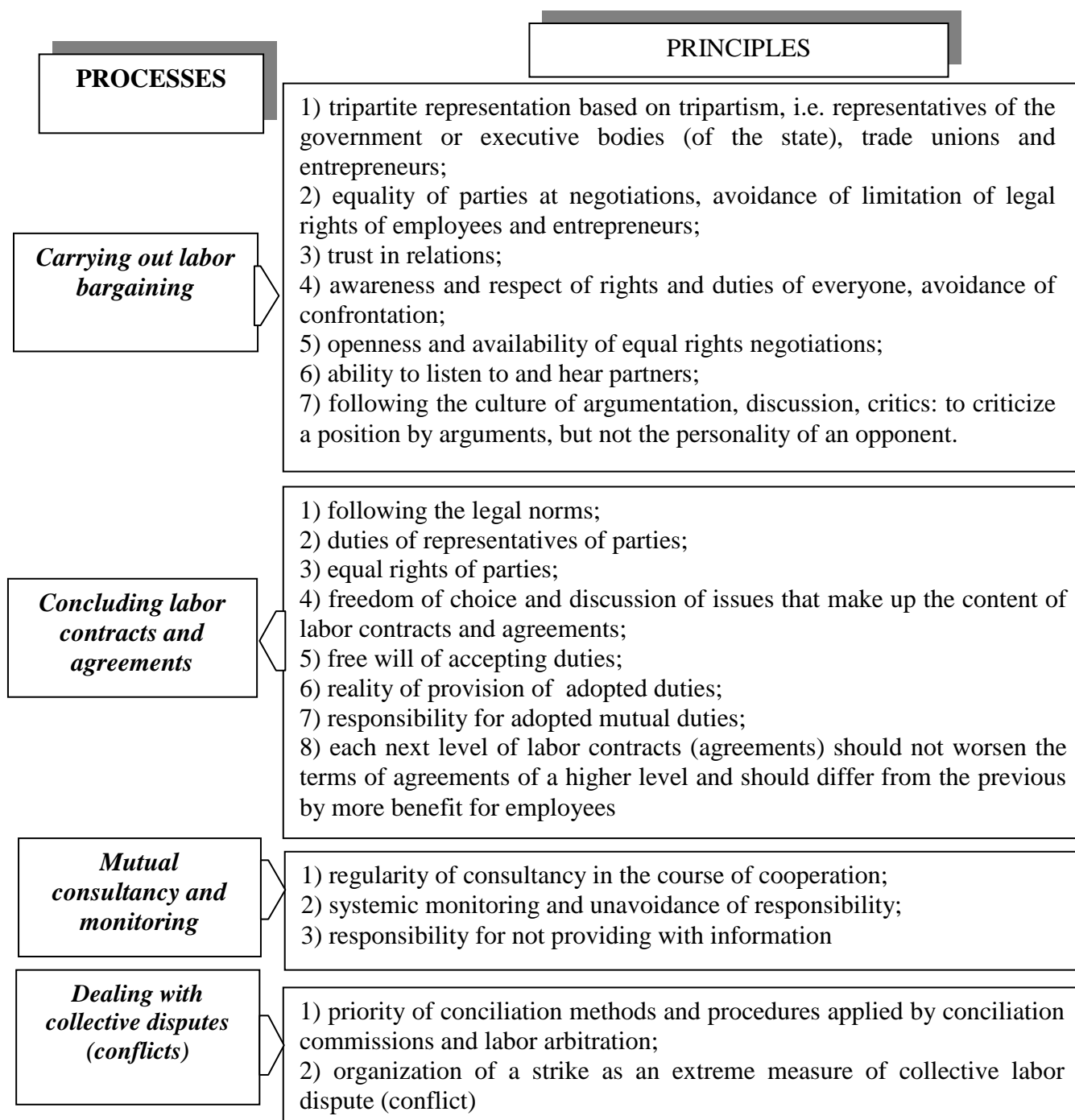


Fig. 4.1 – Principles of social partners

4.3 The role of trade unions in social and labor relations

History shows that in all countries at a certain stage of social development there appear professional associations of employees. Trade unions are mass self-administrative civil associations of employees of a particular industry or related industries, occupational groups for protection and representation of their social interests.

Trade unions are the only civil associations that have survived by time and have remained at enterprises and establishments on a legal basis and they are the only ones now that bear the burden of implementation of all the tasks of production

democracy although there are many officials who would like to eliminate trade unions as an obstacle to their uncontrolled activities in the field of labor and social life.

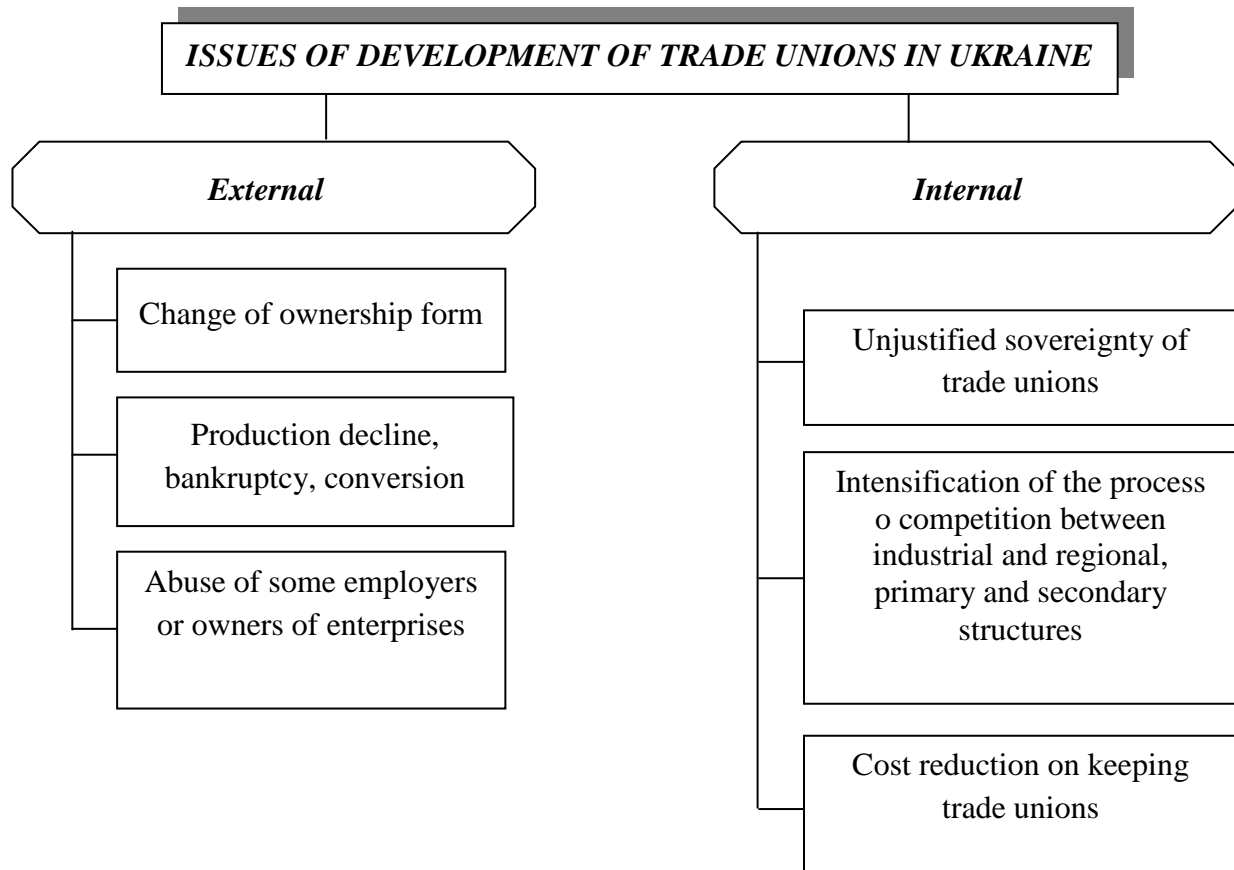


Fig. 4.2 – Issues of development of trade unions in Ukraine

A forward-looking leader can not run business without an equal partner in the labor process. In its turn, a trade union is also interested in the activities of a reliable social partner. Therewith the world experience has led to a single uncontested method of solving labor issues on the basis of tripartism, i.e. equivalent functioning of the three subjects of labor market management - the government, entrepreneurs and trade unions.

The main object of regulation in social and labor relations have always been the questions of remuneration. But is it possible to consider labor relations regulated if the terms of remuneration have been agreed on while concluding an individual agreement (contract) between an employer and an employee? National and international practice shows that this is not enough. There are a number of other common issues for all team members. Employers and employees should agree on many issues that affect all employees through a trade union, and mutual commitments are to be made in a labor contract. The key items of a labor contract:

- type, system, amount of reward, remuneration, benefits, compensation, bonuses,
- the mechanism of regulation of reward on the basis of price increase, inflation rate;

- employment of workers;
- hours of work, rest periods and holidays;
- measures to improve conditions and employees' safety;
- health care and social insurance;
- employees' interests in the privatization of enterprises and institutional housing;
- industrial safety measures and health care of employees at work.

Questions for knowledge control

1. Dwell on the history of formation of the concept of social partnership.
2. Describe the concept "social partnership".
3. Which areas does social partnership cover?
4. What are the basic principles of relations between social partners as defined by ILO?
5. What are the objectives of business organizations?
6. What are the main social institutions that perform safety functions?
7. Reveal the role of a trade union in the protection of rights and interests of employees.
8. Dwell on the basic principles of social partnership.
9. Give some provisions of the law on social guarantees for the working population.
10. What are the main issues of a bargaining agreement?

THEME 5. THE LABOR MARKET AND ITS REGULATION

5.1 The concept and main components of the labor market

Labour market - a system of social relations related to employment and labor supply, if it's buying and selling: the economic area - the area of employment, which interact with buyers and sellers of labor is the mechanism for coordinating prices and conditions between employers and employees and regulates its supply and demand.

It should be emphasized that the labor market is not confined to relations with the unemployed and filling vacancies, and covers the entire scope of wage labor. This situation has not only theoretical but also of practical importance, since it implies that the object of labor market policies should be a wide range of employment and all the economically active population. These problems rank pay and working conditions, the volume and intensity of work, stability and job security, work motivation, training and retraining of the workforce.

The main components of the labor market is the aggregate supply (L) consisting of all economically active population, and aggregate demand (C), defined the economy in general need hired labor. They form aggregate labor market or the labor market in the broad sense (SS).

Depending on supply and demand, there are three types of labor market:

1) *trudodefitsyna* – if demand exceeds supply. It was typical for our country in the last years of Soviet power;

2) trudonadlyshkova – if supply exceeds demand, which is typical for modern Ukrainian (and not only Ukrainian) economy;

3) equilibrium, where demand meets supply, which in principle is a theoretical ideal to which we should aim for, but which can not be achieved.

The labor market as an organic component of a market economy in its development depends on the availability and sophistication all its other elements (including capital markets, housing, etc.) that determine the degree of freedom of movement of jobs (ie their creation and liquidation) and reallocation of workers between employment, industries Economy and territories.

5.2 Formation of supply and demand in the labor market

Main directions of increasing employment and reducing unemployment (including hidden) by influencing the demand and supply of labor is schematically shown in Fig. 5.1. Implementation of each direction requires creation of the corresponding economic mechanisms at the level of an enterprise, a city and a region.

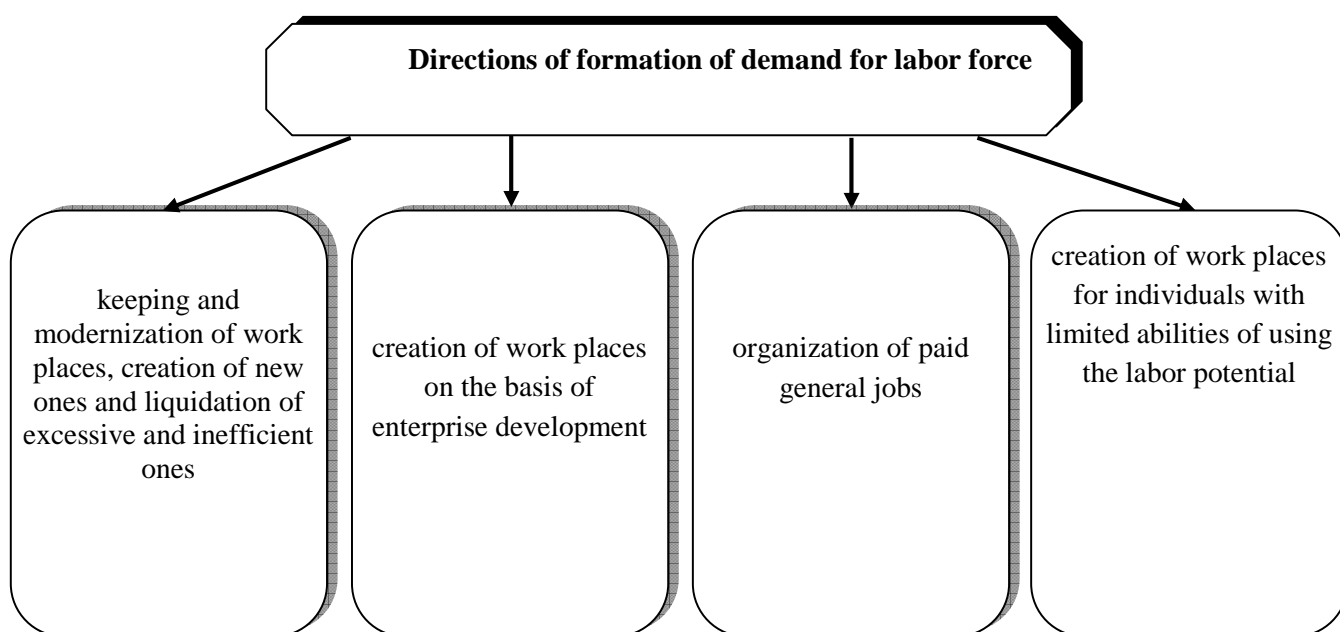


Fig. 5.1 – Directions of formation of demand for labor force

Formation of labor supply reflects employees' needs and interests – they are guided by the main motive to get a proper job by content, working conditions and pay.

The first and main direction of the policy of shaping labor supply is improvement of its quality in terms of vocational qualifications, development, improvement and use of individual abilities by using the methods discussed above in connection with the issues of the formation of one's own staff structure. Particular attention should be paid to training and professional development of entrepreneurs, managers, marketing specialists and other workers of market infrastructure.

The second direction is self-employment development. The key features in this area are linked to individual labor activity in manufacturing various types of products and implementation services performed by an employee at his/her own will.

The third direction is regulation of working time. The trend of reduced hours of work suggests that policies which led to work decrease in employment can not necessarily be regarded as unacceptable.

The fourth direction is regulation of migration processes in order to maximize overlap of interests and needs of workers and employers.

5.3 Segmentation of the labor market

Segmentation of the labor market is a division of jobs and employees by combining features into relatively stable and closed sectors that limit the mobility of labor in its scope. Research of segmentation of the labor market has led to the theory of duality of the labor market, according to which it is divided into two parts: primary and secondary.

The primary labor market is the part that unites "prestigious" jobs characterized by stable employment and reliability of an employee's position, high wages, opportunities for professional growth, use of advanced technologies that requires high qualification and employees' learning ability.

The secondary labor market is the part that unites "unprestigious" jobs characterized by the opposite features: high labor turnover and unstable employment, unguaranteed and low wages, lack of prospects of employees' position, primitive labor-intensive technologies and so on.

Characteristic features for both parts of the labor market mutually shape and strengthen one another. High wages stimulate and improve management performance and productivity for compensation of wage costs.

The features of the secondary labor market are also interrelated and mutually reinforcing. Low wages (and often it is its unrequired payment) does not encourage employers to use advanced technologies and equipment. Outdated technologies do not require further training. The high level of real unemployment provides employers with quick filling vacancies without much concern for staff. Since workers do not appreciate this kind of work, and employers don't appreciate employees, labor turnover increases that enhances all the mentioned trends even more.

5.4 Infrastructure of the labor market

Infrastructure of the labor market includes government and non-government establishments of employment promotion recruitment services of enterprises and companies, public organizations and foundations, regulatory environment that ensure interaction between demand and supply of labor.

The main function of the labor market infrastructure is regulation of relations between employers and employees regarding wages, its terms, and solution of social and labor conflicts.

The following elements can be distinguished in the infrastructure of the labor market:

- complex of regulation and guarantee of employment: laws and regulations that guarantee civil rights in the field of employment;
- complex of wage regulation (contracts, agreements, arbitration, etc.);
- complex of compensation regulation in respect of loss or change of a job as well as retraining (laws and regulations governing compensation for termination of employment, unemployment aid, unemployed allowance, resettlement benefits, scholarship for retraining, etc.);
- retirement system because it has a significant impact on the economic activity of employees approaching retirement age, the number of economically active population at the expense of people of retirement age who are able to work and can or cannot engage in wage labor depending on the size of pensions, etc.;
- complex of regulation of working conditions (laws and regulations governing the use of labor of employees of various categories in general (e.g. under-aged, pregnant women, disabled), particularly, in adverse conditions for health;
- employment services and recruitment. This primarily includes public service employment as well as numerous non-governmental intermediaries between employers and employees in the labor market (employment bureaus, recruitment agencies, employment agencies, organizations that provide career counseling services, staff consulting, staff leasing, etc.);
- the system of vocational training and retraining;
- employees' unions as an expression of their interests (especially trade unions);
- employers' unions as an expression of their interests;
- personnel services at enterprises and companies, public organizations and foundations promoting employment.

Thus, multi-functional and highly efficient infrastructure is an essential characteristic of civilized labor market, the index of its development and criterion of its efficiency. Unfortunately, it should be noted that in Ukraine such infrastructure in the full sense has not been established yet.

Questions for knowledge control

1. How do you understand the notion "labor market"? What is bought and sold on the labor market?
2. Name and describe the main elements of the labor market.
3. Why does the labor market differ from other markets? What are these differences?
4. What is the dependence of labor supply on wage rate? How is it explained?
5. What is segmentation of the labor market? How do primary and secondary labor markets differ?

THEME 6. SOCIAL AND LABOR RELATIONS OF EMPLOYMENT

6.1 Socio-economic nature and types of employment

Employment is an activity of people associated with satisfaction of personal and social needs that are not contrary to the law and usually brings income (labor income).

According to the Law of Ukraine "On employment of the population" employment relations in Ukraine are based on the following principles:

- the exclusive citizens' right to use their abilities to work, prohibition of compulsory, forced labor (except the cases specifically established by law);
- creation of conditions by the state for the fulfillment of citizens' rights to work, to protect against unemployment, to assist in finding employment and financial support in case of job loss in accordance with the Constitution of Ukraine.

Basic principles of the state policy in the field of employment promotion are fixed in the Law of Ukraine "On employment of the population".



Fig. 6.1 – Main principles of the state policy in the field of employment promotion

Rationality of employment is determined by the efficiency of labor activity in the broadest sense of the notion:

- by the social utility of the results of labor; optimality social division of labor;
- quantitative and qualitative match of jobs and employees, economic feasibility of working places that allows employees to achieve high productivity of labor and have an income that provides a normal life without any damage to health.

Full-time employment that at the same time meets the requirements of rationality is called productive or efficient employment. We emphasize that these notions by content are much wider and bulkier than the notions of productivity and efficiency of labor.

In economic theory and practice, a system of indicators is developed – it reflects the level of employment efficiency. This system includes the following groups of indicators:

1. Proportions of the distribution of labor resources of the society by nature of their participation in socially useful activities. They show at what level of productivity the needs of the population in jobs are met and by which ways full employment is achieved.

2. Employment rate of the working population in the public sector reflects, on the one hand, citizens' needs in paid jobs, and on the other hand, the need for workers in the public sector.

3. The structure of employees' distribution by sectors of the economy that in fact is the proportion of division of labor potential by types of jobs.

4. Vocational qualification structure of employees shows the distribution of the working population by vocational qualification groups and displays a balance of personnel training to the demand for skilled employees.

6.2 Social and labor relations of employment

Employment of Ukraine's population is provided by the state through active social and economic policy to meet its needs in the voluntary choice of types of activities to stimulate job creation and business development.

The state policy of Ukraine on employment based on the following principles:

- ensuring equal opportunities for all citizens, regardless of origin, social and property status, race and ethnicity, gender, age, political and religious beliefs in exercising the right of free choice of a type of activity according to abilities and professional training based on personal interests and social needs;
- promotion of efficient employment, prevention of unemployment, creation of new jobs and conditions for entrepreneurship;
- coordination of activities in the field of employment with other areas of economic and social policy based on state and regional employment programs;
- cooperation of professional associations (unions) of entrepreneurs, business owners, establishments, organizations or their authorized agencies in cooperation with public administration bodies in developing, implementing and monitoring the implementation of measures to ensure employment;
- international cooperation in solving issues of employment of the population including labor of Ukraine's citizens abroad and foreign citizens in Ukraine.

6.3 Unemployment, its indices and types. Unemployment aid

Unemployment is called a socio-economic situation in the society that prevents an active productive part of citizens from finding jobs that they are able to do which is due to the predominance of labor supply over demand. Although it is believed that unemployment is a stimulus of labor discipline and activity of the working population, social and economic costs of unemployment are so significant that throughout the world a lot of efforts are contributed to minimize it, and yet not a single country can eliminate it completely.

Under the Ukrainian law unemployed citizens are recognized those who are out of work and earnings, registered in employment agencies, looking for a job and ready to start it. As one can see, the official record system of unemployment in Ukraine underestimates the true rates since a large share of unemployed are not considered as unemployed because they do not register in employment agencies for some reason.

In accordance with the Law of Ukraine "On employment of the population" the state helps unemployed people to renew their working activity and provides them with the following types of compensation:

- provision of special guarantees for employees dismissed from enterprises, institutions and organizations;
- payment of grants during training or retraining and inclusion of this period in the total and uninterrupted work record;
- payment of unemployment aid in a due course;
- provision of additional financial assistance to an unemployed citizen and his family members based on the presence of the elderly and under-aged people who are dependent on him.

Citizens who are duly qualified as unemployed and have no other income identified by applicable law and does not exceed the minimum wage have the right to unemployment aid. The rate and order of payment of the aid are governed by the Law of Ukraine "On employment of the population"

Questions for knowledge control

1. What is the socio-economic nature of employment?
2. What does full-time employment mean in a democratic society?
3. Describe the types of employment. How do you understand the rationality of employment?
4. What indices can estimate the efficiency of employment?
5. What can be the social protection of the population in the labor sphere on the behalf of the state?
6. Describe the different unemployment rates.
7. What types of unemployment do you know? Which ones require special attention?
8. Evaluate the international experience of employment regulation in terms of its applicability in Ukraine.

THEME 7. ORGANIZATION OF MEASUREMENT OF LABOR

7.1 Concept, content and objectives of organization of labor

Organization of labor is a collection of processes or actions that lead to the formation and improvement of relations between parts of the whole. In this sense it would be more logical to use the word "organizuvannya", but it is not common in the Ukrainian language. Thus, it is an action, management function. In this sense, organization of labor at an enterprise is a set of processes and actions to establish or improve the order of the labor process and related employees' relations between each other and the means of production.

Based on the features of the tasks to be solved, the following elements can be identified in the content of work:

- the division and cooperation of labor that envisages science-based distribution of employees by systemized labor functions, machines, devices, working places as well as the corresponding grouping and combining employees in production teams;
- standardization of labor that involves careful calculation of norms of labor costs for production as the basis for organization of labor and production efficiency assessment;
- organization and maintenance of working places including their rational planning and equipment according to the anthropometric and physiological data, esthetic tastes of an individual, efficient system of maintenance of working places, certification and rationalization of working places;
- organization of recruitment and its development that includes planning needs in manpower, professional guidance and selection, recruitment, elaboration of the concept of staff development and its implementation;
- improvement of working conditions that envisages elimination of hazards of production, excessive physical, psychological and emotional stresses, aesthetics of production, formation of the system of security and safety of labor;
- efficient use of working time, optimization of work and rest regimes;
- rationalization of work processes, implementation of the best practices and methods of labor;
- labor planning and monitoring;
- motivation of labor;
- strengthening labor discipline.

While analyzing the content of labor organization, features of the production level at which changes take place should be taken into account.

In the scope of urban economy improvement of labor organization has the following objectives:

- to prevent economic and social losses
- to ensure the most use of human resources of the society as possible,
- to adjust the ratio of employed in the field of material production and non-production sphere.

To do this, direct and indirect regulators that take into account the level of development of market relations are used.

At an enterprise the major importance for labor organization is addressed to the issues of employees' correct placement in manufacturing based on the rational division of labor and combination of professions, specializations and expansion of service areas. Another challenge is the coordination of activities that is cooperation while implementing strict quantitative proportions of labor costs in the related areas of work. Technology planning, labor standardization that allow establishing scientifically quantitative proportionality of qualitatively different kinds of labor is of great importance.

At a particular working place solve such issues of labor organization are solved as implementation of the most advanced working methods and rational content of all the complex of labor operations, right equipment and planning working places, uniform and uninterrupted supply of tools and materials, creation of appropriate sanitary and hygienic conditions for work and livelihood.

7.2 Division and cooperation of labor

Division of labor as a specialization of labor activities that leads to distinguishing and coexistence of its different kinds from prehistoric times has been the major factor of productivity growth. In a certain form, division of labor exists at all levels of human activity, from the world economy to the family and workplace.

Social division of labor is a differentiation of social functions performed by certain groups of people in the society and in this context, highlighting different spheres of the society (industry, agriculture, city and village, science, art, army, etc.) which in their turn, are divided into smaller sectors and subsectors.

Technical division of labor is a differentiation of kinds of labor activities between units and employees of an enterprise, division of the labor process at an enterprise into a number of partial functions and operations; it is specialization of employees in the process of the economic activity.

The following kinds of division of labor are differentiated within an enterprise:

1) *functional* is division of labor between different categories of employees of an enterprise depending on the nature of their functions and participation in the production process. It is manifested in two ways: a) differentiation of the following main categories: workers and employees (employees are referred to technical performers, professionals, managers) in the personnel structure, and b) division of workers at the main (directly change the shape and condition of items of work while manufacturing products) and additional (create the conditions necessary for efficient operation of key employees);

2) *technological* is division of labor by technological operations and processes, phases, types of labor, products, parts. It determines employees' positioning according to production technology and significantly affects the level of job depth. An important objective of labor organization is to find the optimal technological division of labor.

3) *professional* is division of labor between groups of employees on the basis of technological uniformity of performed work. In this direction, changes are characterized by increase of the share of professions of intellectual work, machine labor, professions of a general profile;

4) *qualifying* is division of labor between employees' groups depending on the complexity of performed work. Employees of the same profession can have different knowledge, skills and work experience that is reflected in qualification of labor quality (work) and form the basis for distribution of employees by qualification groups - rates, categories, classes, etc. Changes take place in the direction of increasing cultural and technical qualification of employees and, accordingly, the share of highly skilled employees.

Division of labor is inextricably linked to its cooperation, which means achieving rational proportions of different types of labor costs and provides for establishing rational social and labor relations between the participants of the labor process, reconciling people's interests and production objectives.

Cooperation at an enterprise is carried out in various forms, such as individual work performance at individual working places, multi-machine work or a combination of labor functions and specialties as well as teamwork.

The leading role among collective forms of modern labor organization is referred to team. *Team* is a group of employees who carry out the production process or its part together and are collectively responsible for their performance. The main kind of team labor organization is a *specialized team* (consisting of employees of the same profession that perform homogeneous technological processes) and *integrated teams* (consisting of employees of different professions that perform a set of interrelated technologically diverse work).

7.3 Organization of working places

An important element of labor organization at an enterprise is *organization of working places* in order to create the necessary conditions at each of them for highly efficient and high-quality work with the least possible physical effort and minimal tension of an employee.

Working place is the primary production chain, an area of labor application of one or more (if a workplace is collective) performers defined on the basis of labor and other operating standards and equipped with the necessary means of the labor activity. Working place as a place of employment of a person defines working conditions (normal, hard, hazardous), modes of work and leisure, nature of work (varied, monotonous, etc.).

Depending on the specifics of production working places can be classified according to various criteria (Figure 7.1).

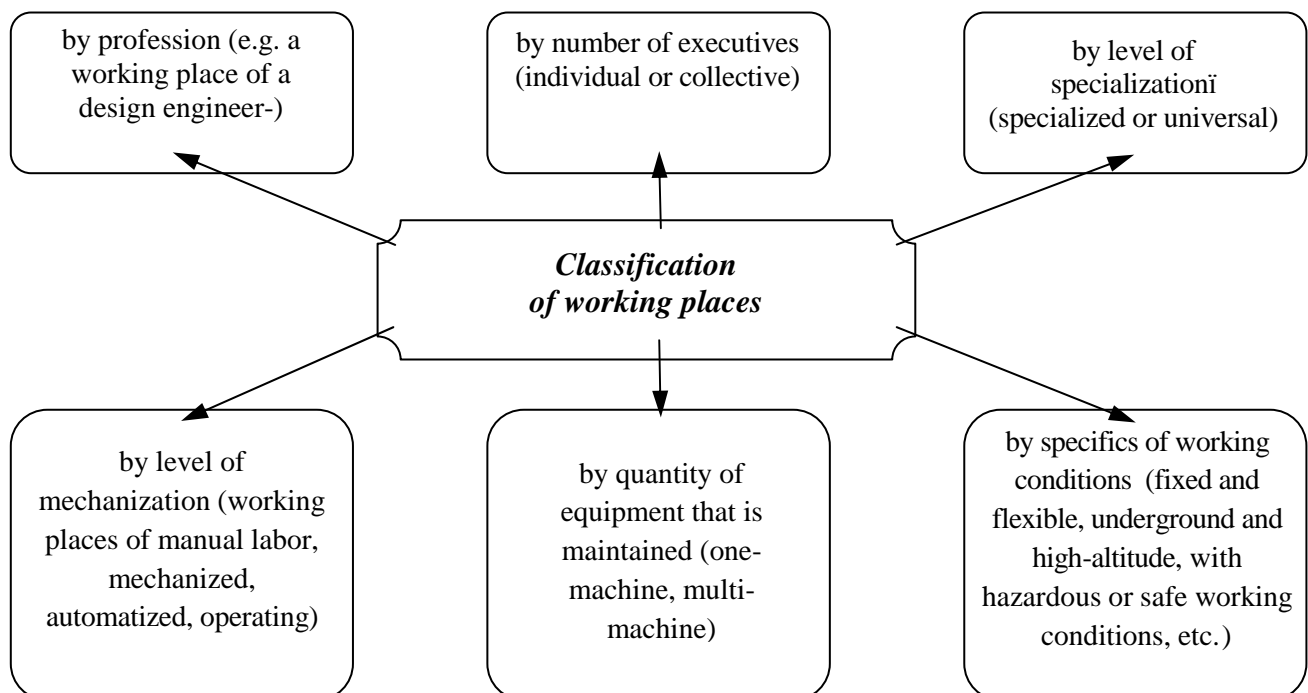


Fig 7.1 – Classification of working places by features

Organization of working places is subject to the objectives of production, a system of measures to equip them with means and objects of labor, planning, placing them in a certain order, maintenance and certification. The specific content of these measures depends on the nature and specialization of a working place, its type and value of the manufacturing process.

Equipping is working place comprises a set of labor means required for fulfillment of specific labor functions.

Provision of these conditions is achieved during *planning* of working places that we briefly define as the most rational spatial distribution of material elements that make up equipment of a working place as well as an employee.

The level of organization of labor in a particular working place depends on the quality of maintenance.

Maintenance of a working place involves ensuring its timely provision with everything needed including technical maintenance (arrangement, adjustment, repair), regular access to the necessary kinds of energy, information and expendable materials, quality control of equipment, transport and employment services (cleanup, equipment cleaning, etc.).

For a comprehensive quality assessment of working places to search and put into action reserves of efficiency increase, the mechanism of *assessment and rationalization* of working places is used. During assessment, technical and organizational status of working places, working conditions and safety measures are comprehensively evaluated, opportunities of return of assets, use of employees' qualification potential are considered. The main objective of evaluation and rationalization of jobs, as well as all activities connected with their organization should be the increase of labor efficiency and compliance with the requirements of security and safety.

7.4 Labor process and its rationalization

Living labor rights is a prerequisite for any financial or intellectual production. That is labor process is at the heart of any production.

Labor process is a financially and technically driven, organized process of applying an individual's mental and physical efforts to obtain a useful result, a process of converting existing resources into required (socially useful) values and benefits that are implemented and managed by an individual.

Labor processes are distinguished by the following features: nature of an object and product of labor, an employee's function, a measure of mechanization of labor, degree of difficulty and severity of harm of working conditions, etc.

By the nature of an object and product of labor, *material and energy, information labor processes* differentiated. Material and energy labor processes are characteristic for employees because the subject and the product of labor for them is a material thing (raw materials, components, machinery, etc.) or energy. For employees of intellectual labor (specialists, managers, technical executives) information labor processes are characteristic - its main subject and product of labor is information.

By functions, labor processes are classified according to the functional division

of labor between different categories of employees depending on the nature of their functions and participation in the production process: a) employees' labor processes, technical executives, specialists, managers, and b) main labor processes (they directly alter their form and condition of subjects of labor, manufacture products) and additional (they create conditions necessary for the efficient implementation of main labor processes).

By the level of labor mechanization, labor processes are divided into manual, machine and manual, machine and automatized.

Structurally any labor process consists of technological operations.

A *technological operation* is a part of the labor process, performed by one or a group of employees at one working place and over one subject of labor.

In the structure of an operation for objectives of analysis and measurement of labor it is agreed to differentiate labor techniques, actions and movements.

A *labor movement* is a single movement of a person's working organs during the performance of a labor action (for example, "to take instrument", "to click a button", etc.).

A *labor action* is a logically complete set of labor movements played without interruption by one or several person's working organs under the condition of constant objects and means of labor (e.g. the labor action "turn off a PC" is performed by a person's eyes and hands with one computer by using several labor movements of pressing and a button).

A *labor technique* is a certain set of an employee's labor actions and movements with fixed objects and means of labor that are performed sequentially one after the other and have a specific purpose.

A *method of work* is a way to accomplish a labor process, specific sequence and composition of labor techniques and operations.

Rationalization of the labor process envisages consistent implementation of the following stages: identification, study, analysis, synthesis, design and development of rational techniques and methods of labor. It is important to mention that rationalization of techniques and methods of labor is concerned with not only manual or machine and manual labor processes. Intellectual labor has its techniques and methods: management, scientific, research, creative.

7.5 Standardization of labor

The essence and meaning of standardization of labor

To ensure high efficiency of production, which is the basis of competitiveness of entrepreneurship in market conditions, it is important to optimize the consumption of all types of involved resources: live and materialized labor (raw materials, energy, equipment, etc.). The first step in optimizing the use of resources is standardization that is science-based amount of resources, objectively necessary for efficient entrepreneurship at the present level of development of productive forces.

Standardization of labor is the foundation of its organization at an enterprise. In the general definition *standardization of labor* is a kind of activity on management of an enterprise aimed at establishing an optimal ratio between costs and results of labor, as well as between the number of employees of different groups and the

number of pieces of equipment.

Labor standards is a component of remuneration at an enterprise, an active way to ensure an optimal balance between the amount of labor and the extent of its payment that meets the requirements of social justice in the distribution of the consumption fund. Setting precise equally tense labor standards for each working place gives an opportunity to determine the degree of labor contribution of particular teams and executives in the overall performance of an enterprise.

Objects of standardization of labor

A variety of types of work people substantiates a variety of *objects* of standardization of labor. The broadest generalization allows to distinguish two forms of labor costs: costs of working hours and labor force costs (physical and nervous energy of a person). Accordingly, there are two groups of objects of standardization of labor:

- 1) those characterized mainly by costs of working hours;
- 2) those characterized mainly by labor force costs.

Universal measure of labor and the most widely-used object of its standardization is *working time*. It is standardized at different levels and by different types of standards.

A peculiar form of working time standardization is establishing the required *number of personnel*. Some authors consider the number of employees a separate object of standardization of labor, but, in our opinion, in this expression it is working time that is still normalized, but of not only one employee but of a quantitatively defined group of employees.

The second group of objects of standardization of labor includes establishing amount of work, service area and consumption rates of physical and nervous energy.

While standardizing *amount of work* it is set as a normalized task typically in physical measures for a shift, month, academic year of study and so on.

In industry, the common object of standardization of labor is *service area*. It is determined by the number of production facilities which efficient operation can be provided by one employee or a team.

Costs of physical and nervous energy of employees are the least studied among all the objects of standardization. They can be characterized by the rate of work, level of engagement of employees during working hours, fatigue indicators, etc.

Thus, the objects of standardization of labor are very diverse and complex. They require the use of complex and labor-consuming methods of analysis to establish science-based standards.

Working time. Regimes of labor and leisure. Classification of working time

Rational use of working time at an enterprise starts with establishing the most expedient regimes of work and leisure. There are:

- shift;
- daily;
- weekly;
- monthly regimes.

Shift regime of labor and leisure determines the duration of shifts, time of their start and finish, duration and time of start and finish of breaks at work.

Daily regime of labor and leisure includes a number of shifts (cycles) per diem.

Weekly regime of labor and leisure envisages different work schedules, number of days off per week, work on days off and holiday days, an order of shift rotation.

Monthly regime of labor and leisure determines a number of working days and days off per a particular month, a number of employees who receive holiday time, duration of major and additional holidays.

To identify reserves of the rational use of an employee's working time fund *classification of working time costs* is undertaken in the following directions:

To check the results of working time study, the corresponding documentation and methods of processing information is used, and if necessary, *photos of a working day and stop-watch observations* are made.

For the record of duration of a working day, indicators of its actual and normal duration are used.

Actual duration of a working day is characterized by work hours per an employee per day (shift) including overtime hours and excluding idle hours. It is calculated by dividing worked-out man-hours over a certain period of time by worked-out man-days.

Normal duration of a working day is determined by the number of hours prescribed by law for certain groups of employees.

The coefficient of working time use is calculated by dividing the actual duration of a working day by the normal duration. The closer it is to 1, the higher level of organization and discipline of work is at an enterprise.

System of rates and labor standards

A huge variety of work processes and conditions for their implementation needs to provide more or less equal intensity of labor in different jobs by content and complexity. It is possible only under the condition of determination of labor standards on a single regulatory basis. This regulatory basis comprises universal standard materials developed by research institutions for use at various enterprises while planning standards of labor costs to specific work.

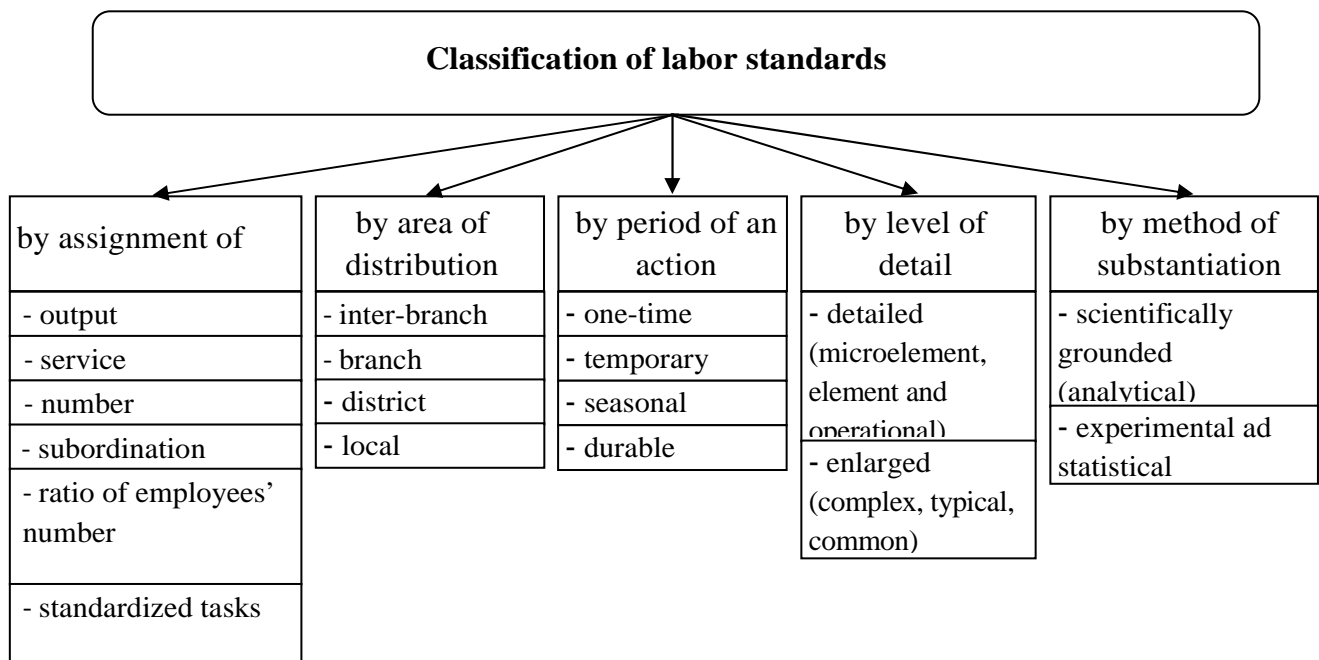


Fig. 7.4 – Classification of labor standards by features

Specific labor standards of a certain labor process are determined directly at an enterprise based on one or several labor rates. That is a labor rate is primary and universal, and labor standard is secondary and local. Standards correspond to clearly set values of factors that represent a particular value in the production process, and rates are set for many values of factors. A *rate* is a function that sets the correspondence between many standards and influencing factors. A *standard* is a specific value of a particular function at fixed values of factors.

Standard of time H_t is an amount of working time objectively required to perform a specific job (a labor operation) in certain organizational and technical conditions. There are standards of preparatory and final time, time of maintenance of a working place, operational, artificial, artificial and calculation time, time for rest and personal needs, time for a batch of products.

Standards of output H_e is a number of products in physical measures that must be produced per unit time in specific organizational and technical conditions.

Standard of service H_{o6} is a number of production facilities (machines, devices, working places, production area, etc.) that should be maintained qualitatively by an employee or a team for a unit of time.

Standard of service time $H_{u.o6}$ is the time set for servicing one particular object. There is an inversely proportional relation between standard of service and standard of service time.

Standard of number H_u is calculated for specific organizational and technical conditions of employees of a particular professional and qualification structure required for efficient execution of a unit or a certain amount of work over a specified period of time.

Standard of subordination is a calculated value for specific organizational and technical specifications of size, it determines an optimal number of directly subordinated employees to one manager.

Standardized tasks are calculated range and amount of work for specific purposes to be accomplished by an employee (staff) for a certain working period (shift, month, year). In contrast to standards of output, standardized tasks can be measured not only in physical terms, but also in man-hours.

Methods of standardization of labor processes

In practice of standardization of labor experiential and statistical, analytical methods are used.

Empirical and statistical (or total) methods involve setting standards in general for all the work without per-element analysis of operations and design of rational organization of labor. By using *analytical methods*, scientific substantiation of labor is conducted based on the analysis of a particular labor process. According to the methodology of obtaining initial data analysis methods are divided into *analytical and calculative*, and *analytical and research*.

If expenditures of time for each element of the operation or an operation as a whole are determined based on standard materials (scientifically grounded inter-branch, branch and local standards), this method is called analytical and calculative.

If expenditures of time for each element of the operation and the operation as a whole are based on direct measurements of these expenditures at the studied working places by photos of working time or stop-watching, this method is *called analytical and research*.

Questions for knowledge control

1. Find out clearly different meanings of the notion "organization".
2. What are the two main aspects of the notion "organization of labor"?
3. What are the elements comprising the content of labor?
4. How is economic and social appropriateness of a particular variant of labor organization defined?
5. Characterize different types of division of labor.
6. What is cooperation of labor? How is it relates to division of labor?
7. What activities does organization of labor include?
8. Explain the meaning and main tasks of standardizing labor.
9. Name and characterize objects of standardization of labor.
10. Dwell on the structure of expenditures of working time.
11. What are standards? What kinds of standards for labor measurement do you know?
12. How are labor standards classified? What are their main kinds?
13. Describe the methods of standardization of labor processes. Compare their progressiveness.
14. What are the main groups of factors of the production environment, that determine working conditions and affect performance of an individual.

THEME 8. PRODUCTIVITY AND EFFICIENCY OF LABOR

8.1 Efficiency of labor: theoretical aspects

Efficiency of labor is its productivity. It shows the ratio of the amount of produced material values and the amount of work spent on this. That is, growth of labor efficiency means increase of the amount of produced goods without increasing labor costs. In broad terms, growth of labor efficiency means continuous improvement of the economic activity by people, continuous opportunities to work better, to produce better quality goods at the same or lower labor costs.

The main issue of economic theory and economic practice is the analysis of the correlation of the results and costs that in general terms is called efficiency.

Costs are determined by the amount (value) of used economic resources. Let us recall that economic resources be divided into three groups: 1) labor potential (human capital), 2) components of natural resources (land and raw materials), 3) components of means of production (physical capital). Accordingly, we can separately define efficiency of labor potential, natural resources or capital.

Results are characterized by the amount and cost of manufactured and sold products, the amount of the value added, income, indicators of competitiveness, quality of life, ecology so on. Most of the results are expressed in terms of product output or profit margins. If in the efficiency calculation results are characterized by product output, then we have figures called *productivity*, and if the results are

characterized by profit margins, these performance indicators are called *profitability (profit earning)*.

The summarizing indicator of labor efficiency is productivity of labor that as all the efficiency indices characterizes the relation of outcomes and costs, in this case these are results of labor and its costs.

The level of labor productivity at an enterprise is influenced by the level of extensive use of labor, labor intensity and technical and technological state of production.

The level of extensive use of labor shows the degree of its productive use and its duration during a working day at constant of other characteristics. The more complete working time is used, the less idle time and other losses of working time are, the longer working day is, the higher the level of extensive use of labor and thus labor productivity is.

Labor intensity characterizes the degree of its tension and is determined by the amount of physical and mental energy of an individual spent per unit time. Increase of labor intensity also has its limits, namely physiological and mental capabilities of a human body. Average labor intensity means such a flow of vital energy of a person during working time, which can fully restored until the next working day at really affordable food, health care, use of leisure time, etc. for that person as.

The source of labor productivity growth, which has no limits, is technical and technological improvement of production under the influence of *scientific and technological progress*.

8.2 Indicators and methods of measuring productivity

Labor productivity is a measure of its efficiency, result characterized by the ratio of product, work or service output, on the one hand, and the amount of labor spent on the production of this volume, on the other hand. Depending on the direct or inverse ratio between these two variables we have two indicators of productivity: output and labor input.

Output is a direct index of labor productivity defined by the amount of products (work, services) produced by one employee per unit of working time, it is calculated by the formula:

$$B = V : T \quad (8.2)$$

where B – output;

V – volume of production (products, works, services);

T – labor costs to produce the corresponding volume of products (work, services).

Labor input is a reverse index of labor productivity characterized by the amount of working time spent per unit of product (work, services) and calculated as follows:

$$TM = T : V. \quad (8.3)$$

For planning and analysis of labor at an enterprise, various types of labor inputs are calculated

Technological labor input (T_T) is determined by labor costs of the main employees. It is calculated for individual operations, details of products.

Maintenance labor input (T_0) is determined by labor costs of support employees engaged in maintenance of production.

Production labor input (T_B) consists of technological and maintenance labor inputs, i.e. it shows labor costs of the main and support workers to perform a unit of work.

Management labor input (T_V) is determined by labor cost of managers, specialists, technical executives.

Full labor input (T_{Π}) reflects all labor costs for the production of a unit of each product. It is defined by the formula:

$$T_{\Pi} = T_T + T_O + T_V = T_B + T_V.. \quad (8.4)$$

8.3 Factors and reserves of labor productivity increase

Factors of change of a certain index are a collection of all driving forces and reasons that determine the dynamics of this index. Accordingly, *factors of labor productivity growth* are a whole set of driving forces and reasons that lead to increased labor productivity. Since, as noted above, productivity growth is of great importance for every enterprise in particular, and the society as a whole, the study of factors and search of reserves of this growth is an important task of economic theory and practice

Since labor is the process of interaction of labor force with means of production, factors labor productivity growth *by content* can be divided into three groups:

- 1) *socio-economic* that determines quality of labor forces;
- 2) *material and technical* that determines quality of production;
- 3) *organizational and economic* that determines quality of combination of labor forces with means of production.

Reserves of labor productivity growth are such opportunities of its increase that have already been identified but for various reasons have not been used yet. Reserves are used and emerge again under the influence of scientific and technological progress. Quantitatively reserves can be defined as the difference between the maximum possible and actually achieved level of labor productivity at any given time. Thus, the use of reserves of labor productivity growth is the process of converting potential into reality.

As a reserve is actually a segment factor which is possible to use at any given time, the reserves of labor productivity growth are classified the same as factors. Classification of *internal production reserves* and factors *by content* have the fundamental meaning to the economist and manager, as it directly helps to identify opportunities to increase labor productivity at a particular enterprise.

As well as the factors, reserves of labor productivity growth by content are divided into three groups:

- *socio-economic* that define opportunities of increase of labor quality of labor;
- *material and technical* that determine opportunities of application of more efficient means of production;
- *organizational and economic* that determine possible improvement of combination of labor with means of production.

For the fullest use of reserves of labor productivity growth at an enterprise, programs of productivity management are developed, they comprise types of reserves, specific deadlines and measures of their implementation, planned costs of these activities and expected economic effect of their implementation, responsible executives are appointed.

Questions for knowledge control

1. What is the essence and socio-economic importance of labor productivity growth?
2. What indices of efficiency do you know? Discover the meaning of the notions "productivity" and "profitability".
3. Why do labor intensity and the level of its extensive use have a limited impact on productivity growth?
4. What is an inexhaustible source of labor productivity growth?
5. Describe the output as one of indices of labor productivity.
6. What kind of labor inputs do you know? How do they differ and what are they used for?
7. What is the significance of the study of the factors of labor productivity growth for economic performance?

THEME 9. INCOME POLICY AND REMUNERATION OF LABOR

9.1 Essence, functions and principles of wage organization

Wages are remuneration or earnings calculated in money terms that under an employment contract the employer pays to the employee for the work performed or to be performed. This common definition most clearly refers to the notion "wages".

The essence of wages is expressed by the functions that it performs in the social reproduction. By our opinion, the most important of them are:

1) *reproductive function* which involves provision of employees and their families with the necessary vital goods to restore laborforces to reproduce generations;

2) *stimulating function* of wages involves setting its amount depending on the quantity and quality of work of a particular employee, his/her labor contribution to the results of work of an enterprise. This dependence must be such as to encourage continuous improvement of the results of labor;

3) *regulating or resource and allocating function* of wages involves optimizing distribution of labor force in regions, branches of economy, enterprises by taking into account market infrastructure;

4) *social function* of wages reflects the extent of live labor in the distribution of the consumption fund between employees and owners of the means of production. Wages serve as an individual share of an employee in the newly created income according to his/her labor contribution;

5) *function of forming effective demand of the population*. Its purpose is matching effective demand, which refers to the shape of identification of needs secured by cash buyers, on the one hand, and production of consumer products, on the other hand.

In order to implement the above mentioned functions of wages it is necessary to hold to the following important principles:

- *real wage increase in accordance with efficiency growth of production and labor;*

- *differentiation of wages according to the labor contribution of an employee into results of enterprise performance, to the content and working conditions, the location of an enterprise, its industrial affiliation;*
- *equal pay for equal work;*
- *state regulation of remuneration of labor;*
- *consideration of the impact of the labor market;*
- *simplicity, consistency and availability of forms and labor payment systems.*

9.2 Wage structure. Elements of remuneration

Wages as compensation calculated in money terms, which under an employment contract the employer pays to the employee for the work done by him/her consists of the following parts: basic salary, additional salary and other incentives and compensations according to the Law of Ukraine "On remuneration of labor" of March 24, 1995.

Basic wages is remuneration for work performed in accordance with established labor standards (standards of time, output, maintenance, function). It is set as tariff pays (salaries) and piece work pay for workers and salaries for employees.

Additional wages is a compensation for work over established norms, for labor achievements and ingenuity, and for special working conditions. It includes bonuses, allowances, warranties and compensation provided for by applicable law, benefits related to the implementation of production tasks and functions.

Other incentive and compensation payments are payments in the form of fees for the results of the year awards, benefits by special systems and regulations, compensation and other money and material benefits that are not covered by the existing legislation or those which are carried in excess standards of the specified acts.

9.3 Wage forms and payroll system

Wage forms and payroll system are a mechanism of determining an amount of earnings depending on the quantity and quality of work and its results. By choosing a certain wage form and concrete system of wage formation, the employer controls the intensity and quality of work of specific employees.

At enterprises of different types of ownership two forms of remuneration have gained a frequent practice:

- *piece-rate work* – payment for each unit of production or amount of work performed;
- *hourly* – payment for time worked, not the calendar but standard which is provided by tariff system.

Both piecework and hourly wage forms can be represented by systems (Fig. 9.1).

There is also a number of conditions under which it is expedient to use some form of remuneration.

Conditions of piece-rate wages:

- there are quantitative indicators that directly depend on a particular employee;

- there is a possibility of accurate recording the work performed;
- there are employees' opportunities in a specific area to increase production or volume of the work performed;
- there is a need on a particular manufacturing site to encourage employees to continue increasing production output or volume of the work performed;
- there is a possibility of technical standardization of labor.

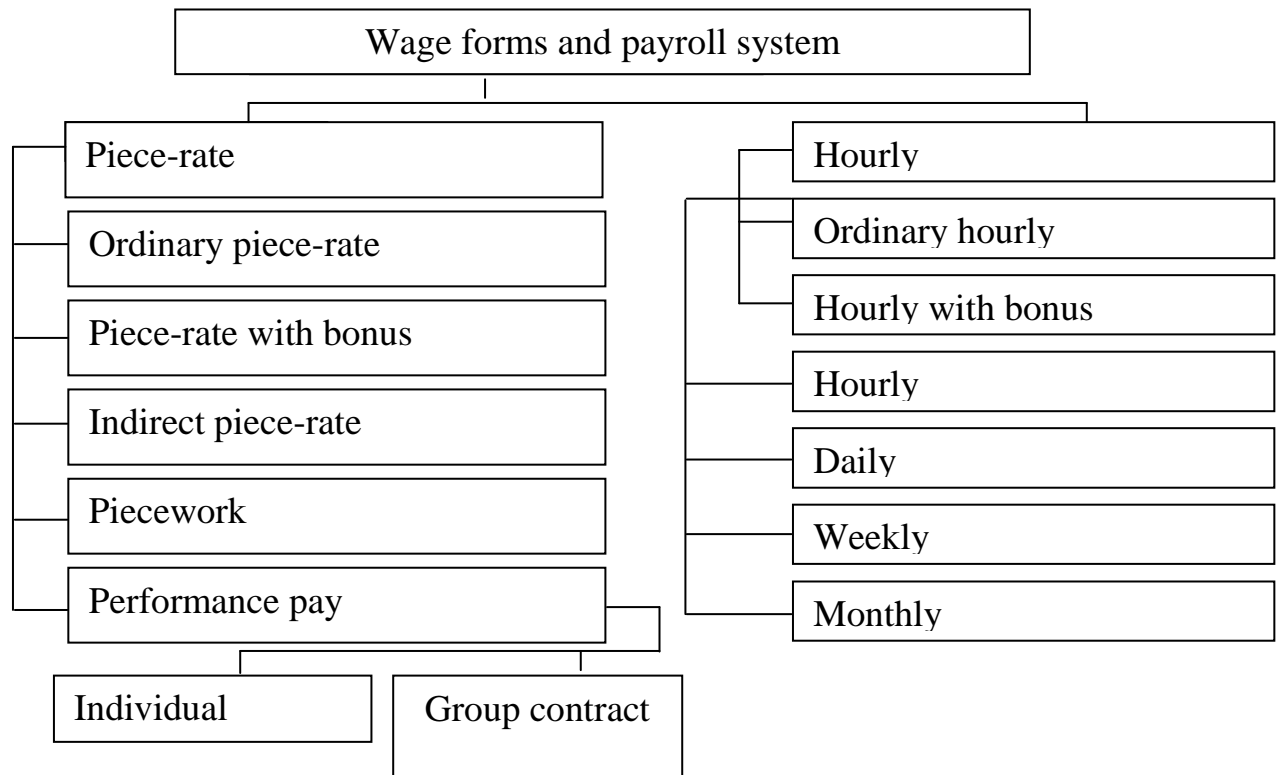


Fig. 9.1 – Wage forms and payroll system

It is not recommended to apply piece-rate wages in case if its application leads to:

- degradation of product quality;
- violation of technological regimes;
- violation of safety requirements;
- deterioration of equipment maintenance;
- over spending of raw materials.

Conditions of hourly wages:

- there is no possibility to increase production;
- manufacturing process is strictly regulated;
- employees' functions are reduced to the observation of the technological process;
- flow and conveyor types of production operate with strictly specified rhythm;
- increase of output can lead to default or deterioration of its quality.

The basis of remuneration is a *tariff system* that is a collection of standard materials with which the level of employees' wages is set based on their qualification, complexity of work, working conditions. Tariff remuneration system includes tariffs, tariff rates, allowances and supplements to the tariff rates, schemes of salaries and wage-rate characteristics (reference materials).

The system of awarding employees

In terms of transition to market, enterprises, organizations are entitled to the right to independently develop and apply a premium position. However, such enterprises and organizations must comply with a number of requirements:

- performance bonuses must correspond the tasks of production at an enterprise;
- the number of parameters and conditions of the bonus payment should be no more than two or three;
- there should not be a contradiction between indices and conditions of awarding;
- bonus indices should be set differentially by actually achieved average level of its implementation in a specific industry, above average level, etc.;
- bonuses standards are to be determined (bonus amount);
- tension of the bonus index is to be assessed;
- the range of award winning employees should include only those who have an immediate influence on the bonus indices;
- frequency of bonuses is to be established depending on the characteristics of an enterprise, organization;
- bonus guarantee is to be provided by the corresponding source of payment.

The basic indices of awarding departments of executive management are fulfillment (over-fulfillment) of the revenue plan and profit growth (increase) compared to the previous year. The procedure of awarding with bonuses includes:

- the basis for awarding with bonuses (accounting data, operational records, statistical reports);
- evaluation of the work performed or rendered services;
- setting an bonus amount (usually in %) for employees by tariff rates and specific rates, for executives, specialists and employees - by official salaries or absolute amount.

Surcharges and allowances to wages

The vast majority of compensation payments and incentives are determined by enterprises on their own and paid in terms of the existing resources. Amounts and terms of payment are stipulated in collective agreements.

The first group includes, for example, such additional payments as overtime work, work at weekends and on holidays, under-aged employees in connection with a reduction of their working days, etc. *The second group* of surcharges is divided into three subgroups. *The first* one provides for additional payments for combining jobs (positions); for conducting duties of an absent employee; to employees for outstanding achievements in labor and high level of qualification, to a brigade of not exempt from workers: for record keeping, accounting and so on. *The second subgroup* includes additional payments related to the specific nature of the work (seasonality, remoteness, etc.) and paid for multi-changing regime of work, holiday days (time off) rendered for work beyond normal working hours in shifts as well as surcharges and allowances for traveling on work, etc. *The third subgroup* implies additional payment for the intensity of labor to workers on conveyors, lines, and automatic flow lines, for night work, for work with heavy (hazardous) and exceptionally difficult (particularly harmful) working

conditions, foremen, heads of divisions, shops, to other specialists and employees - at their regular engagement (not less than 50% of the time) at the divisions, shops and in the working place where more than half of the workers receive a surcharges for adverse working conditions, etc.

Questions for knowledge control

1. Dwell on the nature and structure of wages.
2. What are the main functions of wages?
3. Dwell on the need for state remuneration regulation.
4. What kind of forms and payroll system do you know?
5. In which cases is it advisable to apply a system of piece-rate wages?
6. What kind of allowances and supplements to the tariff rates do you know?

THEME 10. LABOR PLANNING

10.1 Planning of labor productivity increase

Labor productivity growth is to determine a possible reduction of a possible number of employees on the basis of measures of reduction of labor input of products (services) and rational use of working time envisaged by the plan of production efficiency increase.

To compare the impact of different factors on labor productivity growth the following typical classification of factors is used:

- improvement of the technical level of production;
- improvement of the organization of production (services);
- increase of production (services);
- structural changes in production (services) and other factors.

The value of labor productivity growth by these factors is calculated as follows:

a) the basic number of the production personnel is determined for the planning period under the condition of keeping the productivity level of the base year;

b) on the basis of the planned measures aimed at labor productivity growth, the possible decrease of a number of employees is determined by individual factors;

c) the estimated (planned) number of employees is calculated which is the difference between the need in production personnel for the planned output, calculated on the basis of the output of the base period, and the total saving on the working personnel at the expense of all the factors;

d) by dividing the resulting saving on employees' number by all factors by their estimated (planned) number, one receives a percentage of labor productivity growth for the whole enterprise.

Planned labor productivity growth at an enterprise is defined by the formula:

$$\Delta\Pi\Pi = \frac{E\check{\Pi} \cdot 100}{\check{\Pi}\Pi - E\check{\Pi}} \quad (10.1)$$

where $\Delta\Pi\Pi$ – labor productivity growth,%;

$E\check{\Pi}$ – saving on employees' number calculated by all factors;

$\check{\Pi}\Pi$ – number of employees calculated for production volume of the planned period based on the output of the base period.

Saving on employees' number

Methods of calculation of the possible reduction of the number of employees by individual factors may vary that corresponds to diversity of production conditions at enterprises and specific features of influence of individual factors on labor saving. However, in the diversity of methods of calculation of saving labor costs by certain factors one should follow a number of general principles.

One of these principles is that in necessary cases each individual result of calculation by measures increases by the corresponding share of employees in the total number of production personnel.

The close connection and dependence between machinery and technology, organization of production and labor substantiates their mutual influence and does not always allow for a differentiated calculation of economic-efficiency of each measure. In such cases, the saving from the full range of measures to avoid recalculation, belongs to one factor which influence prevails.

In those cases when it is impossible to determine saving on labor as a result of undertaken measures by direct calculation, first saving of working time in hours is estimated and then employees' number that can be released by reducing labor inputs. The value of reducing labor inputs of products (types of work) is determined by comparing labor costs in hours before measures and after.

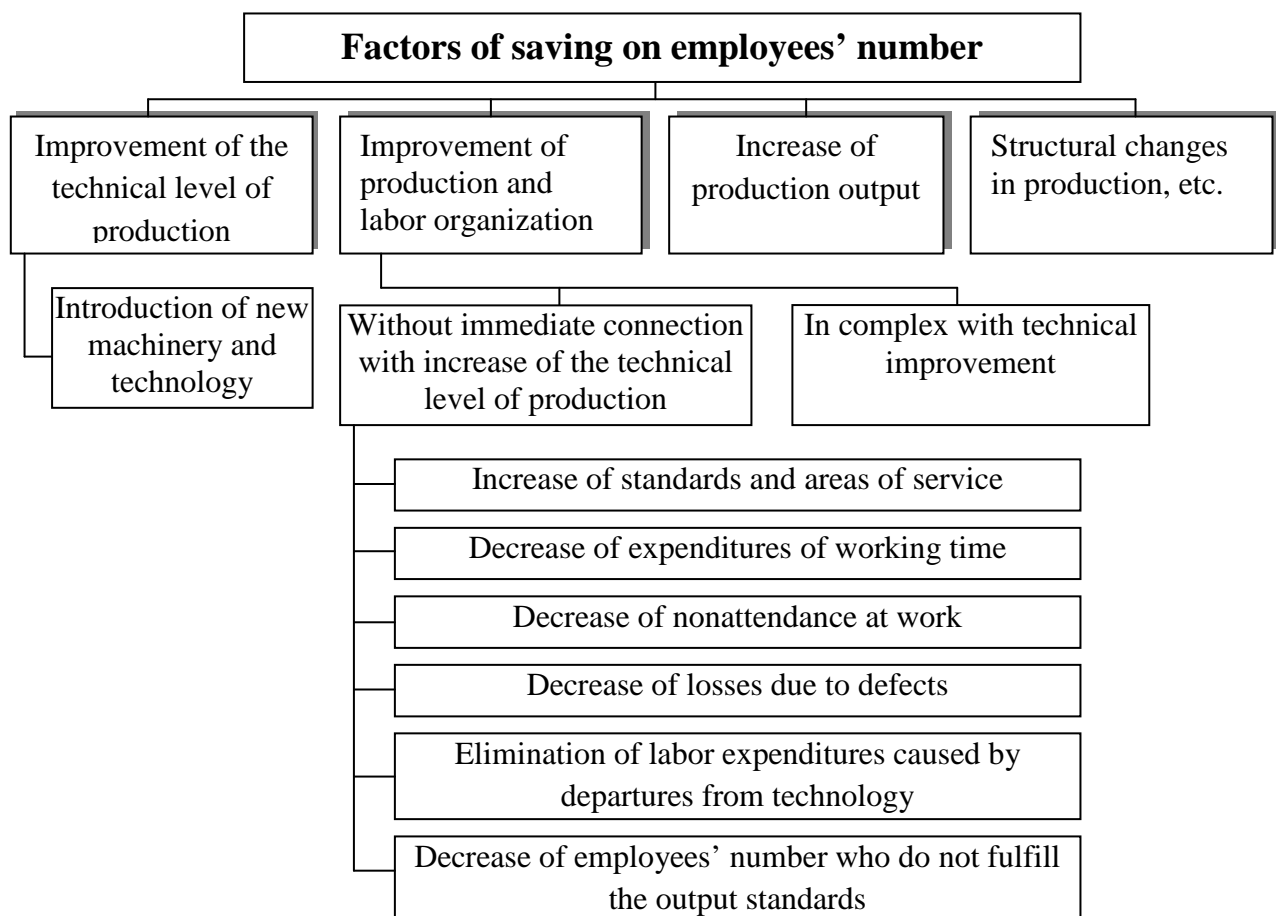


Fig. 10.1 – Factors of saving on employees number at an enterprise

10.2 Planning employees' number

Planning employees' number is connected with the index of the use of working time during a year, measured in man-hours and man-days. The average number of hours and days of work of one employee per year is determined by the balance of working time.

The balance of working time is made for an enterprise, shop, division, and sometimes separately for each group of employees who have the same schedule and duration of an annual leave. This is because the average duration of an annual leave in different divisions of an enterprise may be different.

In terms of the balance of work planned working time is calculated from the individual elements.

Drawing up the planned balance of working time includes:

- 1) calculation of the actual working time fund in days (attendance time);
- 2) establishment of the average of the working day duration;
- 3) calculation of the efficient actual working time fund in hours.

Planning regular employees' number and structure

Methods for determining employees' number at an enterprise necessary for fulfilling a production program differ by some features depending on the specifics of labor and production in each industry. There are following methods for determining the required employees' number by:

- a) labor input;
- b) output standards;
- c) jobs on the basis of maintenance standards at aggregate operations.

Calculation by labor input

The basic data for determining regular employees' number by labor input is production program of the planned period, time standard, annual working time fund per worker, plan to increase production efficiency which is the basis of a plan to increase productivity, and planned standard of fulfilling standards.

The total number of regular rate-employees is calculated by dividing the labor input of a production program by actual (efficient) working time fund per an employee per year. Besides, the planned rate of reduction of standard labor input as a result of fulfillment of the plan to increase production efficiency and over-fulfillment of time standards. The calculation is as follows

$$\Psi P = \frac{T_{\text{пл}}}{\Phi \cdot K}, \quad (10.3)$$

where ΨP – the required regular rate-employees' number;

$T_{\text{пл}}$ – planned labor input of a production program (by labor costs of regular employees);

Φ – planned efficient working time fund per an employee per year, hours;

K – planned coefficient of standard performance.

Calculation by output standards

This method of determining the average number of workers on the basis of production tasks and workload standards. In cases where the attention to standards

and scope of work to be enforced, working time for the full scope of work defined by the formula

$$T_{\text{H}} = \frac{\Pi}{H_{\text{B}}}, \quad (10.4)$$

where T_{H} – working time required to complete the scope of work by standards;

Π – volume of work in adopted units of measurement;

H_{B} – planned output standard per unit of working time.

Knowing the amount of standardized time necessary to fulfill a certain amount of work, one can set the required number of regular employees. The general view of the formula for the calculation is as follows:

$$\Psi P = \frac{\Pi}{H_{\text{B}} \cdot K \cdot \Phi} \cdot 100, \quad (10.5)$$

where ΨP – average number of employees;

Π – volume of work in adopted units of measurement;

H_{B} – planned output standard per unit of time;

K – planned percentage of output standards;

Φ – actual working time fund per an employee, hours.

Calculation by working places on the basis of maintenance standards at the aggregate work

This method defines regular employees' number at working places of aggregate maintenance at which the work is performed by controlling actions of aggregates, devices, machinery and other equipment and monitoring the technological process.

The number-average of employees can be calculated by the formula:

$$\Psi P = \frac{A \cdot p \cdot C \cdot T_{\text{э}}}{T_{\text{ф}}}, \quad (10.6)$$

where ΨP – number-average of employees;

A – number of working devices;

p – number of employees needed to maintain one device during a shift (maintenance standard);

C – number of shifts per diem;

$T_{\text{э}}$ – number of diems of a device in the planning period;

$T_{\text{ф}}$ – actual number of working days.

10.3 Planning wages

Planning wages includes calculation of payroll fund and average wages by employees' categories. Separately payroll fund of industrial and production as well as non-industrial groups of employees at an enterprise are calculated. Payroll fund and its level are planned in absolute terms and as a percentage to the base year.

The payroll fund of an enterprise includes amounts of wages of record and non-record composition of employees. The structure of the payroll fund comprises basic and additional wages. Payroll fund does not include bonus amounts of engineering and technical staff and employees, as well as amounts anticipated to encourage all employees of an enterprise by labor results for the year, as they are included in the material incentive fund formed from revenues.

In determining the average wages it is necessary to ensure outrun labor productivity growth compared with the growth of wages. It is important to mention that when comparing labor productivity growth with the growth of average wages, the calculation of the latter includes all mentioned kinds of bonuses except for bonuses paid by saving materialized labor (materials, fuel, electricity, etc.).

Normative planning method provides for establishing the base payroll fund (at the beginning of the planning period) and incremental standards for the planned period on which basis the appropriate payroll fund increases (decreases). Basic payroll fund is calculated by wage standard per unit of products (services) that can be defined as follows:

$$H_3 = 3_{\pi} + 3_{\pi} \cdot K_3, \quad (10.23)$$

where H_3 – wage standard per unit of products (services);

3_{π} – wage costs that can be directly attributed to the production of a product unit;

K_3 – a coefficient of wage costs that can only be indirectly attributed to a product unit.

Herewith, K_3 is defined as:

$$K_3 = \frac{3_{\text{обш}} - 3_{\pi}}{3_{\pi}}, \quad (10.24)$$

where $3_{\text{обш}}$ – all wage costs in the production of certain types of products by the volume adopted while developing a standard;

3_{π} – direct costs of production payroll particular type of product.

Thus,

$$H_{30} = \frac{\sum H_3 \cdot q}{\sum Q} \cdot 100, \quad (10.25)$$

where H_{30} – a general wage standard per a hryvna of a product, %

q – amount of a certain type of product, units;

Q – commodity products, hryvna.

Defined by the formula (10.25), the total wages standard per hryvna of products is called a level ratio. Along with incremental ratio, it is recommended for the use while planning a payroll fund.

The basic payroll fund though being the basis of the planned fund should be considered as a standard value because the amount of wage increase (decrease) by standards for each percentage of output increase (decrease) is added or subtracted.

Both for the whole enterprise and for all its structural unit (a department, a division, a team), planned payroll fund can be calculated by the formula

$$\Phi_{3.\text{пл}} = \Phi_{3.\text{баз}} \pm \Phi_{3.\text{баз}} \cdot K \cdot H, \quad (10.26)$$

where $\Phi_{3.\text{пл}}$ – planned payroll fund;

$\Phi_{3.\text{баз}}$ – basic payroll fund;

K – a coefficient of production gain;

H – a wage gain standard for one percent of output growth.

In the formation of the basic payroll fund, the relative saving or relative wage overrun are taken into account in the previous year.

Questions for knowledge control

1. Planning labor productivity growth.
2. The objective of planning labor productivity growth.
3. Planning a correlation between labor productivity growth and average wages.
4. How are planned number and structure of personnel determined?
5. Planning wages.

THEME 11. ANALYSIS, REPORTING AND AUDITING IN THE DOMAIN OF LABOR

Audit in the domain of labor- is a periodically carried out of measures of information collection, its analysis and assessment of efficiency of enterprise efficiency on labor organization and regulation of social and labor relations.

The object of audit in the domain of labor is staff, personnel and its activities.

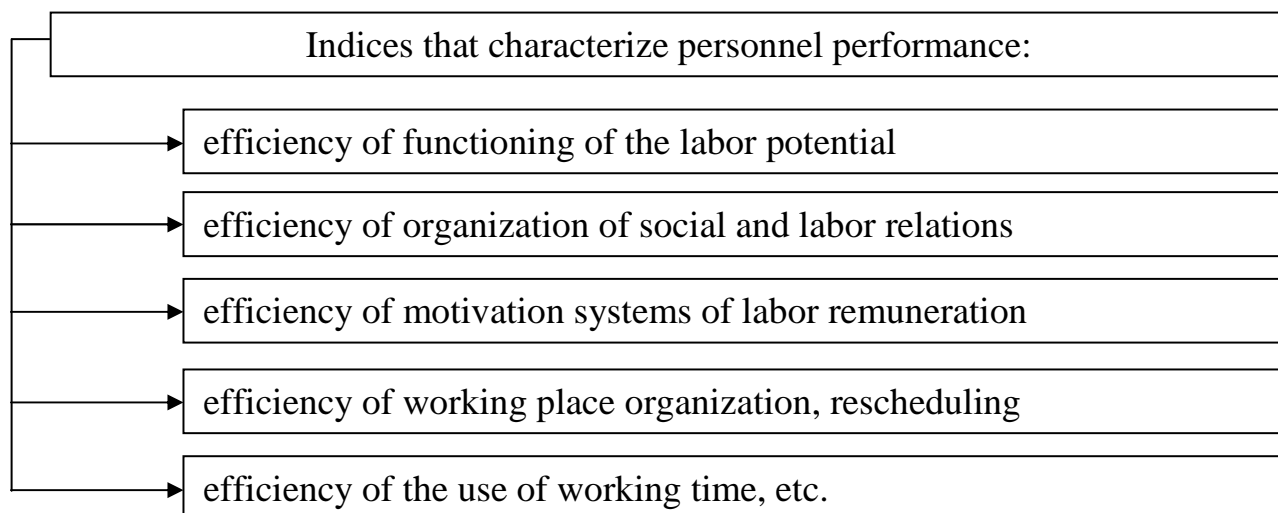


Fig. 11.1 – Indices that characterize personnel performance

Herewith, efficiency assessment of labor performance can be seen as a major, global objective of the audit. Assessment of efficiency of labor relations, motivation and labor remuneration can be stage, intermediate and accompanying objectives.

Audit allows ensuring mutual compliance of enterprise activities with personnel management and its development strategy, as well as mutual responsibility of regulation of social and labor relations and the laws, rules, regulations and procedures that define this activity. By the audit results, directions for introduction, alteration or improvement of standards can be defined. Testing helps staff changes that improve the quality of human resources, promotion of the most promising employees and development of creative activity.

Audit in the domain of labor can be considered in three aspects:

- 1) organizational and technological;
- 2) social and psychological;
- 3) economic.

In *the organizational and technological aspect*, audit is a review and analysis of indices that prove the legitimacy and efficiency of an enterprise.

In *the social and psychological aspect*, audit in the domain of labor is an assessment of social and labor relations at an enterprise including along with the study of documentation, conduct of independent surveys, individual and group interviews, interviews with employees at various levels and categories.

Economic aspect of audit in the domain of labor is the definition of:

- 1) enterprise competitiveness in the labor sector, which is estimated by comparing economic and social indices of the enterprise activity by adopted standards and ratios or best indices at analogous enterprises;
- 2) operation efficiency of services of human resources management, identification of their role in enterprise competitiveness increase;
- 3) economic efficiency of the audit itself, comparison of audit costs with its findings.

Let's consider *the main sources of information* used to audit in the domain of labor more detailed. These sources are *laws and regulations, labor indices, surveys and employees' interviews*.

The following example (Fig. 11.2) represents the sources of internal information during the audit.

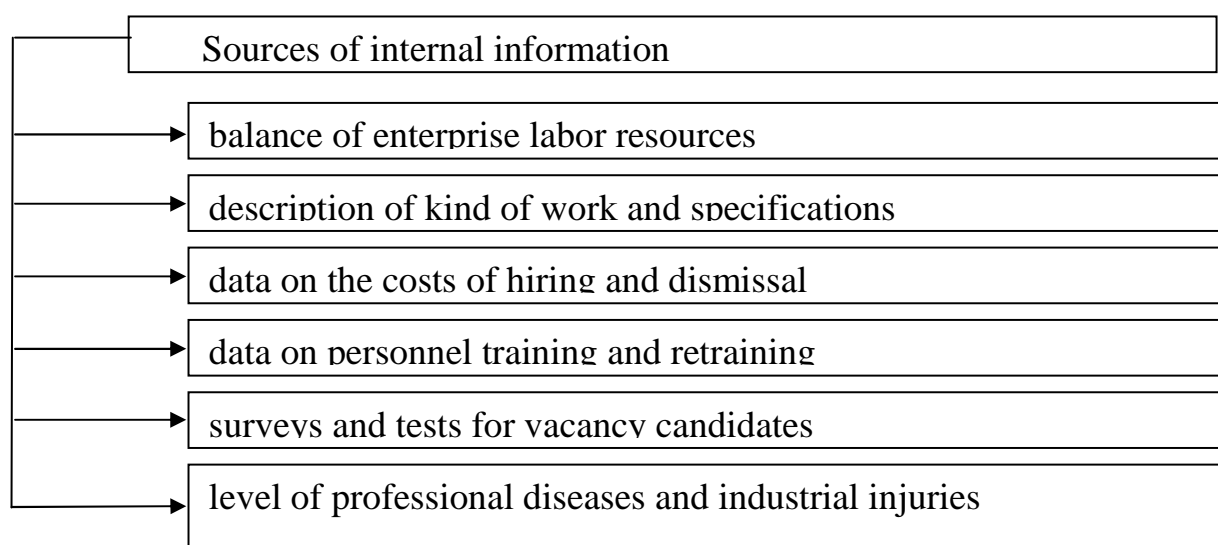


Fig. 11.2 – Sources of internal information during the audit

Statistical indices become more available if electronics and computer technologies are used for their collection, storage and processing. Computer software can make data analysis technically simply and more meaningful.

One of the most objective and economic, of course, is conducted on the scale of the whole organization or enterprise and is usually self-filling questionnaires or forms by a respondent. Experts in human resources management believe that the employees' surveying on their attitude to work are especially efficient for assessment of relations in the team, motivation to work, top-management performance and reward and compensation systems.

Assessment of the use of working time will be more complete if with a known degree of conditionality these indices are divided by *quantitative (extensive) and qualitative (intensive)*. Then, for example, extensive indices can include such as losses of the fund of internally changing working time, losses of the fund of round clock working time, losses of working time due to work impairment (defects, departure from normal conditions of technology, etc.) Here the calculation of a number of widely used indices and ratios in the national practice is possible.

Audit efficiency can act in a purely economic, socio-economic, socio-psychological form or represent their complex, which is most real.

The most obvious benefit of the audit in the domain of labor is felt when it is translated into the language of real monetary benefits to an enterprise. "*Cost-benefit*" analysis is an analysis of costs of certain functions, such as training, in a monetary form versus such non-monetary benefits such as attitude to work, health and safety.

"Cost-efficiency" analysis is an analysis of costs of certain functions in a monetary form compared to such monetary benefits such as production increase, downtime reduction, etc.

Questions for knowledge control

1. Describe the system of labor indices at an enterprise.
2. What is the main objective of the audit in the domain of labor?
3. What are the advantages and disadvantages of involving "external auditors"?
4. What indices can be used for audit?
5. How should audit findings be presented?
6. What are the indices of the audit efficiency?

THEME 12. MONITORING OF THE SOCIAL AND LABOR DOMAIN AS A TOOL OF REGULATION AND IMPROVEMENT OF SOCIAL AND LABOR RELATIONS

Specifics of the studies are in the use of special sociological and socio-psychological methods that complement each other and have a lot of new information.

In the first phase issues, object and subject of the research, objectives and hypotheses are identified as well as its novelty is determined, operationalization of notions is accomplished (where theoretical characteristics and notions of any

processes and phenomena are transferred onto the empirical level, can be measured), a working plan of the study with identified terms, executives and material base is developed.

To collect data *documentation analysis, surveys, experiments* are used:.

Issues that require a study in the market economic system:

- associated with the condition and content of labor;
- employees' financial situation and their social protection;
- prospects of labor organization development in terms of variety of ownership forms, issues of its survival;
- labor behavior, factors and conditions that affect it;
- related to labor satisfaction, its motivation;
- attitudes to labor and labor adaptation;
- labor disputes, reasons, solutions, etc.

Today the issues of ownership and privatization are extremely urgent. Therefore it is necessary to conduct analysis of not only their economic, but also social aspects. Considering ownership from the standpoint of sociology we can see that it is the object of people' attention, it plays an evident or latent role in their lives, labor and economic activity.

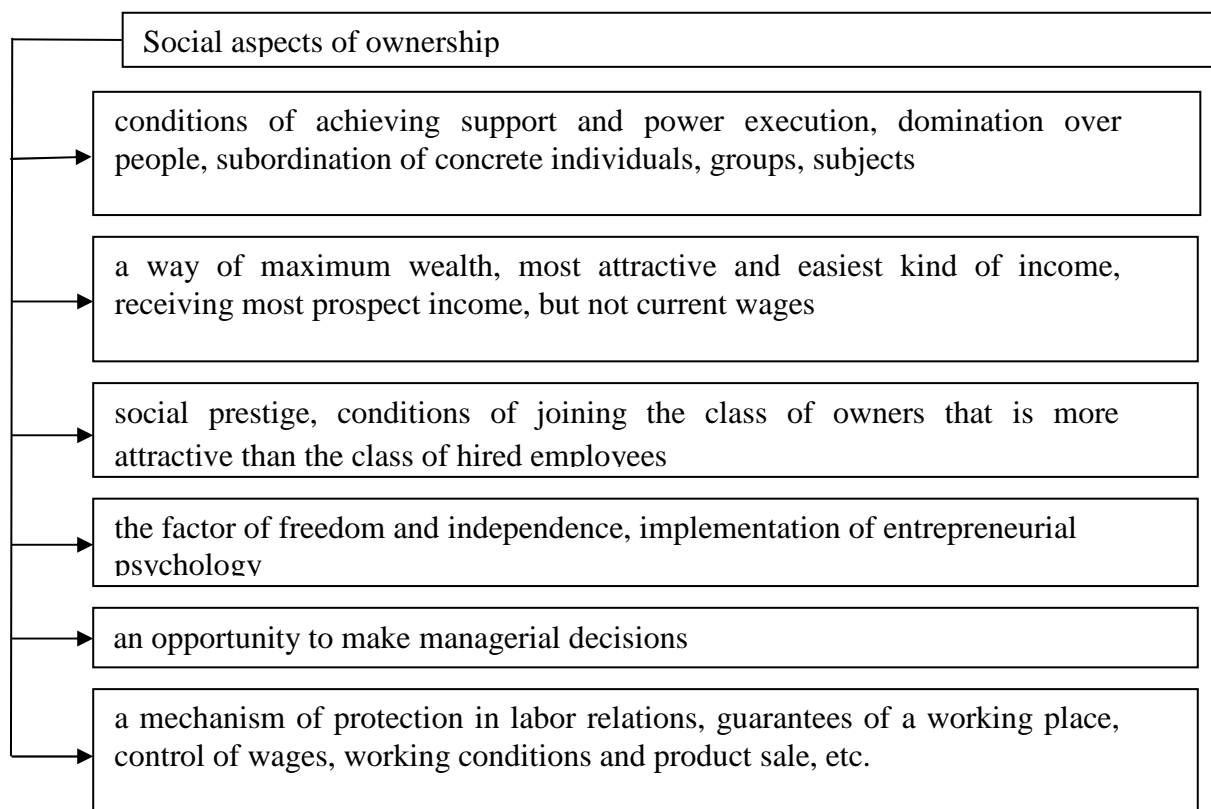


Fig. 12.1 – Social aspects of ownership

Understanding the social meaning of ownership is not a total answer to the question why people behave a certain way in certain situations of settlement of ownership relations, reconciliation of disputes over rights of ownership and disposal. There are many *reasons* for this behavior. Let us try to formulate some of them.

The tasks of sociological research in the domain of labor

Social and labor relations are relations between social groups and individuals in the process of labor activity. If they are based on common goals and interests, they take the form of cooperation and in case of divergence and contradictions of interests they turn into conflicting relations, rivalry.

At present, understanding of the role of social processes and relations in the domain of labor as an important factor to increase its efficiency has become axiomatic. Moreover, sociologists and psychologists are tackling such problems as the role of irrational motives in labor motivation, the meaning of role plays in work, the specifics of labor settings, joint activities substantiated by ethnic and historical features of people and so on.

Social processes in the domain of labor are processes of formation, operation, development (or degradation) of social groups and individual employees. Among them are the following:

1. As a basic social process, sociologists examine the process of labor itself. Indeed, most of life a person spends at work.

2. *Social and integrative processes* are processes of bringing people together in a social group, developing a sense of belonging, community of new employees in the organization.

3. *Value-orientation* are processes of formation of employees' positive work motivation, their interest in achieving goals.

4. *Changing and maintaining* are associated with different types of labor migration: movement between jobs, changing jobs, professional and qualification changes, etc.

5. The tasks are solved in the course of *sociological research*, complex and diverse as well as the complex social structure of the company, the social processes occurring in it.

Sociological research is an analysis of social phenomena and processes by using special methods that allows stimulating facts about processes, relations, interconnections, dependencies and making substantiated conclusions and recommendations.

The functions of social research are:

- *information and research* is aimed at creating a continuously updated database, social information that is constantly extended;

- *organizational and implemented* is to develop the analysis of methodological guidelines, regulations, measures, providing information to the interested parties;

- *propagandistic* is the circulation of foundations of sociological knowledge, especially among top-management of the organization;

- *methodic* is the development of new methods of sociological research as well the use of existing innovative ones.

The *types* of sociological research are as follows:

1) depending on the objective, they are distinguished as *specific* (empirical, applied) research aimed at solving specific issues, existing issues in the domain of labor, as well as *theoretical* which objective is to identify common social patterns, to develop research methodology, the conceptual apparatus;

2) depending on whether the object is distinguished in statics or dynamics one differentiates: *one-time* (analyzing the condition at the present moment) and *repeated* (studying the object in development) research that in their turn are divided into *cohort* (studying the same object, the same people at regular intervals) and *panel* - re investigation carried out on the same sample (part of the overall study population), but the specific individuals and groups that fall in the sampling can differ from the previous studies;

3) besides, so-called *pilot* studies are differentiated, i.e. probationary designed for testing tools (e.g. questionnaires, developed tables, etc.)

4) research can be *continuous* when the whole complex i.e. all the objects of research and all the comprised items are studied. However, if the whole complex is sufficiently large sample survey can be conducted when only part of the complex is studied - "sampling".

To achieve the objective of the research *a number of tasks* (means to fulfill the objective) is to be solved. They need to be clearly articulated, for example, "to study the causes of employee' turnover including by age, sex, work experience, professional and qualification employees' groups", "to analyze the closeness of connection between wage level and employees' work satisfaction", etc. Objectives should be basic focused on solving the main issues and subsidiary affecting certain issues. When building a research plan objectives should be systemized according to the stages of its conduct.

The legal acts issued by local authorities, heads of enterprises, institutions, companies and organizations are to be extended to the area covered by local government as well as to staff members. As local, the following regulations are:

- collective agreement: a legal act regulating labor, social and economic, professional relations between employers and workers at an enterprise, institution, organization (Article 10 of the Labor Code of Ukraine);
- employment agreement (contract): an agreement between the employee and the employer by which the employee agrees to perform work of a particular specialty, skill or position with subordination by following the internal labor regulations, and the employer is obliged to pay the employee wages and provide with working conditions stipulated by the law the labor, a collective agreement and an agreement of the parties (Article 21 of the Labor Code of Ukraine);
- regulatory enactments: internal rules of the labor order, regulations on bonuses, rewards by the results of the year, agreements on the leave schedule, etc.

Questions for knowledge control

1. What are the specifics of research of labor organization issues?
2. Dwell on the essence and objectives of sociological research in the domain of labor.
3. What are the issues solved in the course of sociological research?
4. What are the functions of sociological research?
5. What is the sequence of the sociological research program?
6. Which areas of regulation of social and labor relations are covered by the state?

THEME 13. INTERNATIONAL LABOR ORGANIZATION AND ITS IMPACT ON THE DEVELOPMENT OF SOCIAL AND LABOR RELATIONS

ILO is one of the oldest and most representative international organizations. Established under the League of Nations, it has survived the latter and in 1946 became the first specialized agency of the UN. If at the time of its creation it comprised 42 countries, then in 2000, there were 174 countries.

A distinctive feature of the ILO is tripartism and its tripartite structure within which negotiations are carried out between governments, associations of employees employers. Decision making involves consideration of mutual interests and achievement of common agreements although the reconciliation of different and often conflicting interests is complicated and difficult.

Based on these objectives, the main task are formulated, they are presented in Fig. 13.1.



Fig. 13.1 – Contemporary principles of the International Labor Organization

In the course of transition of Eastern European countries to the market economy the ILO has identified new priorities. The new principles of the ILO are also connected with globalization of the economy which social aspect creates concerns of the whole society.

Methods of work and main domains of activities

Activities of the ILO comprise a variety of methods. One can differentiate the four main ones presented in Fig. 13.2.

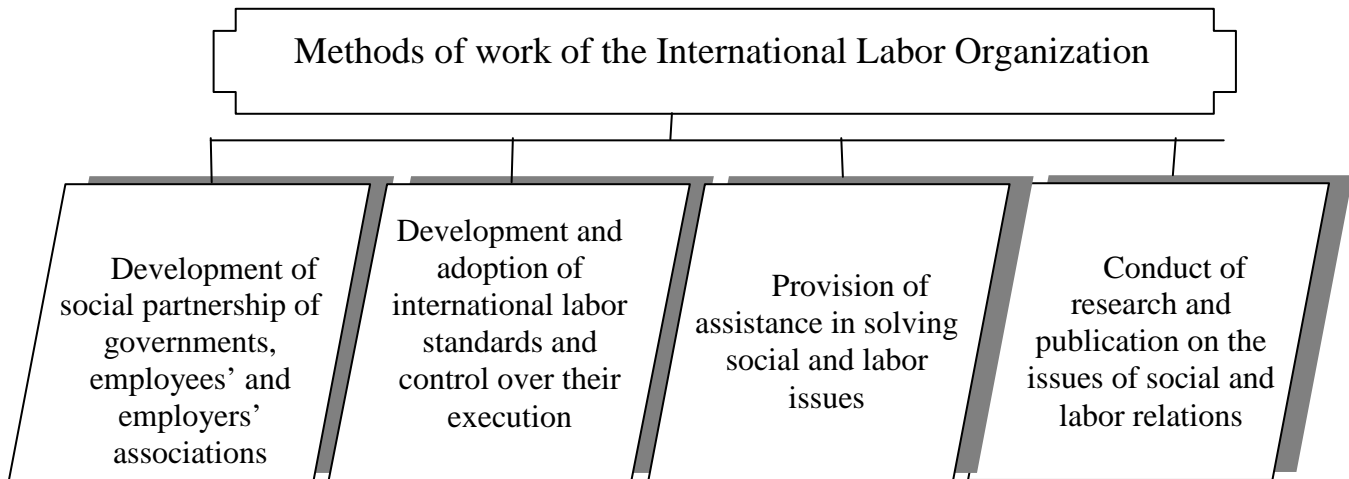


Fig. 13.2 – Methods of work of the International Labour Organisation

Tripartism is the main method of the ILO, its distinguishing feature of all international organizations. Addressing all the social and labor issues can be successful only as a result of reconciliation of actions of governments, employees and entrepreneurs.

Standard developing activity, the development of conventions and recommendations and monitoring their application, has been and remains the main method and basis of the ILO activities.

In 1919-2000, 183 conventions and 191 recommendations were adopted. Their legal essence is different.

Convention is an international act upon the ratification of which by a member country it is duly enforced.

International technical cooperation. It is mainly accomplished through sending ILO experts to member countries to assist in addressing a variety of social and labor issues.

Research and publication. Standard developing activity and technical cooperation of the ILO is based on systematic research. It is conducted mainly by the departments – International Labor Office, International Institute of Social and Labor Relations, Turin Center (on education).

Among publications one should mention the four volume edition of "Encyclopedia of Occupational Health and Safety." This work is about 500 printed sheets in the drafting of which over a thousand leading world experts in this domain have taken part, it has been translated into Russian and published in 1985-1988.

Professional training and retraining of personnel. The most important and practically most noticeable focus of the ILO activity is assisting in professional training and retraining of personnel in member countries, especially developing countries. The ILO considers these issues most broadly, as an issue of human resource development including the development of management, professional guidance and rehabilitation.

Human Rights. One of the most urgent issues that the ILO deals with is human rights.

The organization has a system of supervisory bodies dealing with human rights violations in various countries. One can say that all the ILO activities are related to human rights, labor rights protection and elimination of forced labor, provision of normal working conditions, protection from discrimination, freedom of association in trade unions, etc.

Conditions, safety and hygiene. Production and the Environment. This area covers a wide range of issues. They have been discussed at many ILO conferences and been reflected in numerous conventions and recommendations. The ILO activities in this domain are aimed at improving general conditions of an organization, health protection, production, technical safety and labor hygiene, its humanization and job satisfaction increase, and in recent years also environment protection and improvement.

In the mentioned domain of activities the ILO conducts research and provides publications and information more than in any other area.

Wages. The first legislation in this area was Convention #26 and Recommendation # 30 on the establishment and application of the procedure of setting a minimum wage adopted in 1928. This convention is very limited. It does not oblige but calls on governments to set a minimum wage.

In subsequent years, some recommendations on wages were included in more general regulations and were not binding.

However, the trade union group persistently initiated the adoption of universal, comprehensive and obligatory international instrument on minimum wage. As a result, in 1970 the Conference adopted the Convention on the issue.

Social Security. In the field of social security the ILO is doing a great job. This primarily relates to creative activity. More than 30 conventions and approximately 20 recommendations are almost entirely related to the issue. Moreover, these issues are reflected in other international enactments.

Social protection of women, youth, disabled, migrant employees. Most international labor standards and the ILO practical activities are applicable to all employees, but the ILO differentiates a number of categories that are most vulnerable. For women its efforts are intended to ensure equality of opportunities of education, employment, promotion, remuneration and their protection in relation to working conditions taking into account the motherhood function. These issues are reflected in the already mentioned Conventions # 100 and 111 as well as Convention # 156 (1981) on employees with family responsibilities.

Questions for knowledge control

1. Dwell on the history of the International Labour Organisation (ILO).
2. Describe the ILO structure.
3. What is the role of the International Labor Office?
4. Why does the ILO support active labor market policy? What is its essence?
5. What're the directions of the ILO activities?
6. What is the main essence of the ILO activities in different fields?
7. Which programs of development and regulation of social and labor relations used in the global community?

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до самостійної роботи
з дисципліни

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І СОЦІАЛЬНО-ТРУДОВІ ВІДНОСИНИ**

*(для студентів 3 курсу денної та 3-4 курсу заочної форм навчання
За напрямками підготовки 6.030504 «Економіка підприємства»)*

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